



For a Better Future

Annual report & accounts 2020



MEET EVRAZ



For our
PARTNERS

14
million tonnes
steel products sales



For our
PEOPLE

69,619
employees
as of 31 December 2020



For our
COMMUNITY

us\$ 31
million
Social and social infrastructure
maintenance expenses



Report boundaries

This annual report ("the Report") presents the results for EVRAZ plc and its subsidiaries for 2020 divided into segments: Steel; Steel, North America; and Coal. It details the Group's operational and financial results and corporate social responsibility activities in 2020.

The Report has been prepared in accordance with the disclosure requirements of the United Kingdom and the Financial Conduct Authority: the Companies Act 2006, the Listing Rules, the Disclosure Guidance and Transparency Rules, and the Competition and Market Authority. The Report has also been prepared taking into account the International Integrated Reporting Framework, and sustainability reporting best practices.

LEADER

- In construction and railway product markets in Russia.
- The largest coking coal producer in Russia.
- In production of rails and large diameter pipes in North America.

Global footprint

Canada ↘

USA ↘

London Office •

Switzerland ↗

↙ Czech Republic

• Moscow Office

↙ ↘ Russia

↙ Kazakhstan

→ Steel segment

→ Steel, North America segment

→ Coal segment

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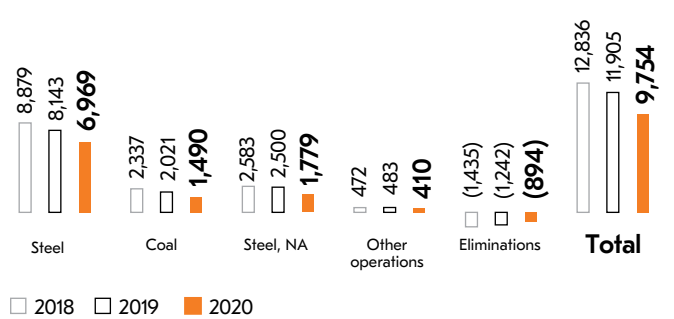
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EVRAZ IN FIGURES

FINANCIAL HIGHLIGHTS

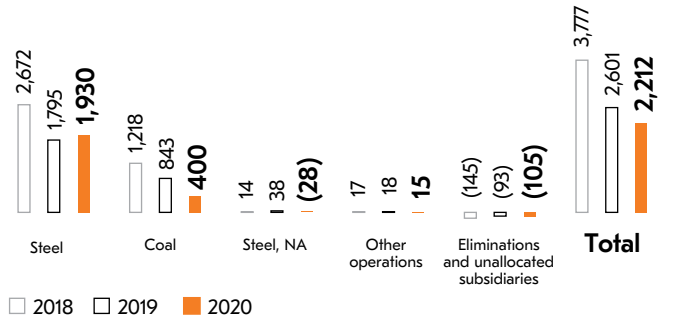
Consolidated revenues by segment, US\$ million



2018 2019 2020

Read more on page 32 →

Consolidated EBITDA by segment, US\$ million



2018 2019 2020

Read more on page 32 →

Net debt

US\$
3,356
million
↓ 3% year-on-year

CAPEX²

US\$
657
million
↓ 14% year-on-year

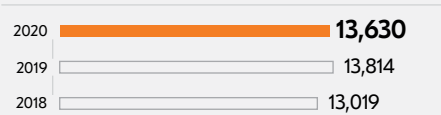
Net profit

US\$
858
million
↑ 2.4x year-on-year

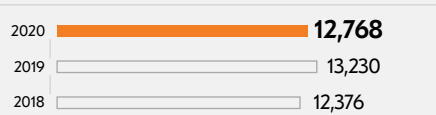
² Including payments on deferred terms recognised in financing activities.

OPERATING HIGHLIGHTS

Crude steel output, kt

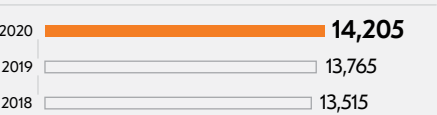


Steel products output¹, kt

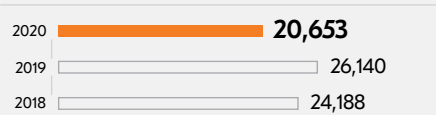


¹ Net of re-rolled volumes.

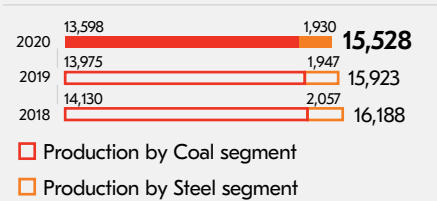
Iron ore products output, kt



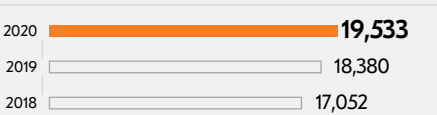
Raw coking coal production, kt



Coking coal concentrate production, kt



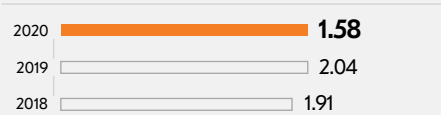
Gross vanadium slag production,³ mtV



³ In tonnes of pure vanadium.

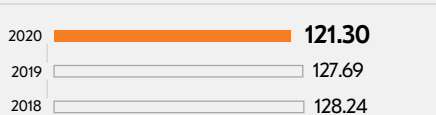
CSR HIGHLIGHTS

LTIFR (excluding fatalities), per million hours



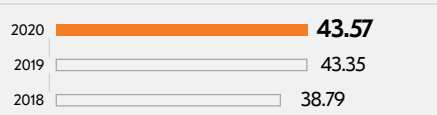
Read more on page 58 →

Key air emissions, kt



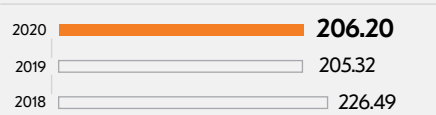
Read more on page 60 →

EVRAZ GHG emissions, MtCO₂e



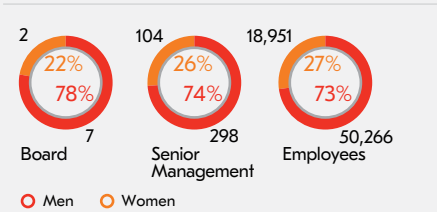
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Fresh water consumption, million m³



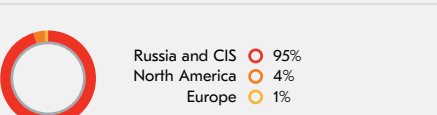
Read more on page 62 →

Diversity, % (number of people)



Read more on page 69 →

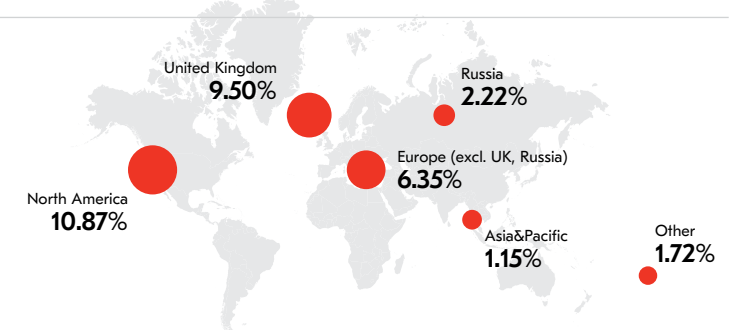
Employees by region



Read more on page 69 →

SHAREHOLDER STRUCTURE

Geographic dispersion of institutional shareholders, % of voting rights



Ultimate beneficial owners, % of voting rights⁴



⁴ The number of shares per dealing notification dated 20 June 2019.
⁵ The number of shares is as per TR-1 Form: Notification of major interest in shares dated 6 February 2013. For Mr Kozovoy, includes shares held directly.

STRATEGIC REPORT

Sustainable foundation for a Better Future



CHAIRMAN'S INTRODUCTION

Despite the unpredictable challenges of the COVID-19 pandemic in 2020, EVRAZ's response was robust. The Group's employees diligently implemented new workplace safety measures while also focusing on the health and wellbeing of the broader communities in which they and their families live and work. Thanks to the dedication and commitment of its people, EVRAZ maintained operational continuity and made further progress on its environmental agenda despite the unique challenges of 2020.



Alexander Abramov
Non-Executive Chairman

Health and safety

The EVRAZ Board of Directors remains committed to its long-term goal of achieving zero injuries and fatalities in the workplace. While the Group's health and safety efforts led to significant improvements in this area, there were still five tragic employee fatalities in 2020, which is five too many. As part of its efforts to improve the safety culture, EVRAZ focused on a new approach to engage employees in the process of identifying and mitigating risks. This and other initiatives helped to bring the lost-time injury frequency rate — a key health and safety metric — down to 1.58, which is a sign of considerable progress in the Group's overriding priority of safeguarding its people. In addition, EVRAZ spared no effort in its COVID-19 response to provide safe working conditions for employees while also supporting local hospitals and communities.

From the outbreak of the pandemic, the Board of Directors closely monitored

the work of the EVRAZ crisis management centre and senior executives to mitigate the operational, commercial and financial impact on the Group. Thanks to the safety measures that EVRAZ enacted to protect its people and ensure operational continuity, the COVID-19 pandemic has had a relatively limited impact on the Group's business.

The Board also understands that the unprecedented measures undertaken to prevent the spread of COVID-19 and the mental impact this may have on many people in these trying times requires careful attention to the possible health repercussions of the pandemic.

For more about the support given to employees during this time, see section Impact of COVID-19 on pages 30-31 →

Environment

In 2020, the Board of Directors approved the Group's new Environmental Strategy, which serves as a roadmap for improving environmental performance by assessing

climate risks, applying best environmental practices and working to meet stakeholder expectations.

For more about the Group's environmental performance, see sections Environmental management and GHG emissions on pages 60-65 →

Throughout the year, the Board strove to better understand the potential longer-term climate-related risks and opportunities facing EVRAZ. The first step was to conduct a qualitative analysis of three climate scenarios envisaging global average temperature increases of ~1.5°C, ~2.0°C and ~4.5°C by the year 2100. This analysis drew on insight into the global physical climate impacts under various climate scenarios developed by the UN's Intergovernmental Panel on Climate Change, as well as Shared Socioeconomic Pathways, which provide outlooks for socioeconomic factors corresponding to the different climate scenarios. The Group used this research to prepare its first Climate Change Report, which serves

CEO LETTER

as a foundation to continue improving climate risk management at EVRAZ.

The Climate Change Report was prepared following the recommendations of the Task Force on Climate-related Financial Disclosures and outlines the principles underpinning the approach that EVRAZ takes to climate change while providing greater insight for stakeholders on the Group's mitigation actions. The initial findings are summarised in this report and the Group intends to update the Climate Change Report periodically.

Discover more in the Climate Change Report: <https://www.evraz.com/en/sustainability/data-center/climate-change-reports/>

Governance

The EVRAZ Board of Directors and management team are focused on ensuring that all aspects of the business are conducted in the best interests of the Group, its shareholders and other stakeholders, with particular attention being paid to generating long-term shareholder value.

The Board held its meetings via video conferencing to minimise the disruptions to its business amid the pandemic. The Board received regular updates from management about the impact of COVID-19, as well as the mitigation measures implemented to safeguard people and operations.

While most directors have been serving on the Board since EVRAZ plc's incorporation in October 2011, new

independent non-executive directors have been recruited in recent years to enhance the depth and breadth of the Board's experience. In 2020, the Nominations Committee began searching for suitable candidates to replace those independent non-executive directors who will have served terms of nine years and will be required to stand down at the Annual General Meetings in 2021 and 2022.

Having both served nine years as non-executive directors, and in line with the UK Corporate Governance Code's recommendations on director independence, neither Sir Michael Peat nor Karl Gruber will seek re-election at the forthcoming Annual General Meeting.

In 2020, the Board engaged in an externally facilitated annual evaluation of its conduct, after having undertaken internally evaluated reviews in 2018 and 2019. The Nominations Committee initiated and took part in the review, during which all Board directors received questionnaires for response and comment. The review found the Board's performance in all key areas to be satisfactory.

Our people

EVRAZ recognises that its operations can only improve alongside the skills and qualifications of an engaged workforce. To this end, the Group continued to improve existing professional development programmes and launched several new initiatives in 2020.

See **pages 68-73** for more details →

EVRAZ uses an annual, organisation-wide employee survey as a guide for aligning the Group's culture with its purpose and values, as described on pages 72-73 of the Strategic Report. The Board receives a summary of this survey for review and closely follows the implementation of management efforts undertaken as a result of the survey.

Dividends

In 2020, the Board approved two interim dividend payments: US\$0.40 per ordinary share, totalling US\$581 million, on 27 March 2020; and US\$0.20 per share, totalling US\$291 million, on 2 October 2020. Prior to each distribution, the Board ensured that the level of distributable reserves within the balance sheet was sufficient to enable the dividend to be paid, in line with the established EVRAZ dividend policy. The Board also considered the impact of COVID-19 on the Group's going concern and cash flow position.

In recognition of the solid performance that EVRAZ delivered in 2020, the Group has announced an interim dividend. On 24 February 2021, the Board of Directors voted to disburse a total of US\$4371 million, or US\$0.30 per share, with a record date of 12 March 2021 and payment date of 7 April 2021.

Alexander Abramov
Non-Executive Chairman

Dear shareholder,

2020 was an unprecedented year, which changed the world and the way we do business. Intense global uncertainty caused by the outbreak of COVID-19 had a profound effect on economies and pressured global markets. The restrictive measures imposed by the governments of various countries to fight against the COVID-19 pandemic had a significant impact on the level of consumption of steel products around the world, especially in the first half of the year. However, thanks to the upswing seen on the global markets in the second half of the year, the Group delivered solid operating and financial results while, most importantly, doing everything it could to protect its people during a pandemic.



Alexander Frolov
Chief Executive Officer

Sustainability

Management's primary focus was on ensuring safe working conditions and preventing the spread of COVID-19. EVRAZ went beyond protecting its employees and worked to safeguard local communities.

For more about the Group's COVID-19 response, as well as the effects of the pandemic on EVRAZ, see Impact of COVID-19 on **pages 30-31**. →

The overriding priority of EVRAZ is the health and safety of its people. Unfortunately, five people lost their lives at the Group's enterprises during the reporting period. The lost time injury frequency rate (LTIFR) reached 1.58, the lowest level for EVRAZ historically and below the target of 1.61 that management set for 2020.

In 2020, the primary focus in the area of health and safety was the roll-out of a project to enhance risk management across all divisions. After thoroughly reviewing and further developing existing

processes, the Group began training employees to use a new set of tools for identifying and managing risks. As a result of the COVID-19 pandemic, all training courses have been conducted online since the second quarter of 2020.

Other key aspects of the project include the Risk Hunting initiative and a review of standard operating procedures.

In 2020, EVRAZ worked hard to create a new environmental strategy with environmental impact mitigation goals to be achieved by 2030. At the Group's steelmaking assets, the goals include reducing greenhouse gas emissions (Scope 1 and 2) per tonne of steel produced by 20%, reducing atmospheric emissions from steel production by 33%, closing the water supply cycle, as well as recycling 95% of general and metallurgical waste. At the mining assets, they include recycling 50% of mining waste and utilising 75% of the methane released in the process of degassing.

During the reporting period, EVRAZ continued to implement measures aimed

at improving its environmental impact. Among the most important projects of 2020 were construction of a dust and gas cleaning unit for blast furnace no. 6 at EVRAZ NTMK, modernisation of gas cleaning units of the basic oxygen furnace shop at EVRAZ NTMK, modernisation of electrostatic precipitators of Heat and Power Station at EVRAZ ZSMK and the direction of coke oven gas to the coking chemicals collecting shop no. 3 at EVRAZ NTMK. In 2020, the Group's specific greenhouse gas intensity ratio remained below 2.0 tonnes of carbon dioxide equivalent (tCO₂e) per tonne of crude steel.

For more about the Group's new environmental strategy, see **pages 14-15**, 60. →

In 2020, EVRAZ management team actively focused on developing the Group's climate change approach at the request of the Board of Directors and its Health, Safety and Environmental Committee. In March-June, EVRAZ held several sessions with senior management, which included a detailed discussion on climate change. By the end of June, the Group

had completed a climate change scenario analysis, as well as mapped the risks and opportunities together with impacts and mitigation measures.

Following this, in October 2020, EVRAZ published its first Climate Change Report, which was based on the recommendations of the Task Force on Climate-related Financial Disclosures. The report outlines the principles underpinning the Group's approach to climate change and seeks to provide greater insight for stakeholders on the actions that EVRAZ is taking. Working closely with stakeholders is an integral part of the Group's approach to climate change and the Climate Change Report is an effort to further enhance stakeholder engagement with respect to this important topic.

Discover more in the Climate Change Report: <https://www.evraz.com/en/sustainability/data-center/climate-change-reports/>

EVRAZ believes that employee skill sets and engagement are the foundation for continuous improvement at its operations. In 2020, we continued existing programmes and started several new initiatives in this area.

The Group launched a comprehensive employee health management programme that incorporates new approaches, including identifying risk groups and offering preventative measures. It also introduced the "Health Management: Top 300" pilot project for "Top 300" programme participants. Moreover, in response to the COVID-19 outbreak, EVRAZ provided access to a telemedical service for personnel in Russia, enabling them to ask any questions they have about health.

For more about the support given to employees during this time, see Impact of COVID-19 on pages 30-31. →

In 2020, EVRAZ completed implementing a Target remuneration system at the Steel segment's EVRAZ NTMK, EVRAZ KGOK, EVRAZ ZSMK and EVRAZ Vanady Tula enterprises in Russia based on a grading system for employees at production facilities, below the level of head of shops and directors of mines. The main aim of the project is to develop and introduce unified, fair and transparent rules and principles for setting compensation across the Group.

For more see Our people section on page 68-73 →

Investment portfolio

Given the volatile conditions on the Russian steel market, management decided to reprioritise the investment portfolio of EVRAZ, including several of the Group's key development projects. A decision was made to postpone the integrated flat casting and rolling facility project at EVRAZ ZSMK and to go ahead with the rail and beam mill modernisation project at EVRAZ NTMK, which was moved to active implementation. In North America, EVRAZ Pueblo's new long rail mill project continued according to the schedule with an active investment phase having commenced in the second half of the year.

Among other key investment projects in 2020, in the Steel segment, EVRAZ NTMK successfully completed the reconstruction of blast furnace no. 6, introducing state-of-the art technology. In addition, EVRAZ NTMK continued installing a gas pressure-recovery turbine on blast furnace no. 7 — which was part of an initiative to reduce electricity purchases by generating power in-house — and completed installing its sixth automated railway wheel processing line.

Two large investment projects were implemented in the Coal segment. The transition of Esaulskaya mine to a new seam no. 29 in June and the transition of Uskovskaya mine to a new seam no. 48 in December. Implementation of both projects will allow to increase production volumes and improve quality of the GZh (semi-hard) coking coal mined by the Group.

Additionally, in the Steel, North America segment, capital investments to modernise equipment and expand production capacity continued at EVRAZ Regina in Saskatchewan and EVRAZ Red Deer in Alberta, which will help to reduce emissions and improve efficiency.

In total, EVRAZ invested US\$199 million in development projects and US\$458 million in maintenance projects in 2020.

Operational efficiency

Retaining a low-cost position and maintaining market leadership positions remain very important for the Group.

The EBS, which marked its 10th anniversary in 2020, has evolved into a system which seeks to achieve ambitious targets

through the application of the EVRAZ principles, employee development, efficient management and process improvement. After having previously been implemented only at the Group's Russian enterprises, in autumn 2020 the EBS roll-out began in North America at the EVRAZ Pueblo mill.

For more about the results generated using the EVRAZ Business System, see pages 16-17. →

Among the achievements of the past year, the strong start of the Group's digital transformation initiative stands out. In 2020, digital transformation projects generated an efficiency improvement effect of US\$17 million inspiring EVRAZ to set the ambitious goal of generating an effect of US\$150 million in 2021-2023.

In 2020, the Group opened a digital transformation centre in Novosibirsk, close to its primary production sites. Embracing digital technology will help to improve employee safety and business efficiency, as well as process speed and customer convenience.

For more about the Group's digital transformation, see pages 88-89. →

Moreover, EVRAZ continued to implement its efficiency improvement programme, which is a performance monitoring system that aims to generate and implement initiatives with an annual EBITDA effect at least of 3% from cost of goods sold. During the reporting period, the efficiency improvement programme delivered an EBITDA effect of US\$426 million from customer focus and cost-cutting initiatives.

The Steel segment remains the core of the Group's business model, allowing it to maintain leadership positions in the railway product and infrastructure steel markets. In 2020, total pig iron production increased by 1.3% to 11,157 thousand tonnes after the launch of blast furnace no. 6. Efficiency improvement initiatives in the segment had a total effect of US\$394 million.

In 2020, EVRAZ continued its work to enhance customer service and develop new products as part of its strategic objective to remain the leading manufacturer of infrastructure steel. The Group launched an initiative to digitalise sales channels and continued to develop its programme aimed

at promoting demand for beams and structural products in construction and improving the availability of products to clients. Moreover, in 2020, the Group launched a project to sell beam sets for constructing buildings such as car parks, logistical centres and industrial facilities.

In the Steel segment's vanadium operations, EVRAZ further expanded its customer base in Asia, the Middle East and North Africa in 2020. The Group satisfied growing demand in steel and energy storage segments, particularly in China, by ensuring a stable supply of diversified products. In addition, in May 2020, EVRAZ established a new research and development centre at East Metals, a subsidiary of the Group in Switzerland. Its main objective is to support the sustainable and diversified use of vanadium as an alloying element in current and future steel products.

2020 was a challenging year for EVRAZ' Coal segment. In response to the market turmoil, management halted output of the surplus GZh-grade semi-soft coking coal at Rasrez Raspadsky in spring 2020. Overall, mining volumes decreased by 21% year on year to total 20.7 million tonnes. However, EVRAZ was able to decrease costs despite decline in the production volumes, cash-cost of coal concentrate amounted to US\$31 per tonne which was 12% lower year-on-year. Additionally, Coal segment generated US\$66 million effect from the customer focus and cost-cutting initiatives during the year.

In June 2020, Andrey Davydov was appointed Vice President and Head of the Coal Division, as well as CEO of Raspadskaya Coal Company. After joining EVRAZ in 2010, he headed its Sukha Balka iron ore mine in Ukraine for five years and then Management Company EVRAZ Mezhdurechensk from 2016. The Group is confident that his solid experience and outstanding professional skills will bring additional momentum to the Coal segment's performance.

In December 2020, EVRAZ completed of its coal businesses, operated through Yuzhkuzbassugol under another subsidiary of the Group - PAO Raspadskaya.

The consolidation established the enlarged Raspadskaya as a leading Russian producer of high quality metallurgical coal with low cost asset footprint, reduced risks due to the diversification of coal type mix, expanded client base and assortment of final products. It will also streamline the corporate structure and management of EVRAZ' Coal segment.

Further to EVRAZ' announcement on 26 January 2021, EVRAZ' Board of Directors regularly reviews the Company's strategic options to maximise long-term value for EVRAZ shareholders. The Board has given approval for management to consider the strategic merits of and possible structures for a potential demerger of its coal business. The discussion is ongoing and no decision has yet been made. EVRAZ will keep shareholders updated through further announcements in due course if and when appropriate.

In the Steel, North America segment, several factors led to disruptions in operations and production at various locations in 2020. The first of these was a cyberattack in March, which was followed by a steep drop in crude oil prices and then the economic volatility brought on by the COVID-19 pandemic. In response, management undertook numerous measures, including idling some production facilities in Canada and the US to support free cash flow, reducing operating costs and optimising working capital.

Financial results

In 2020, EVRAZ reported total EBITDA of US\$2,212 million. The Steel segment's EBITDA increased by 7.5% to US\$1,930 million as a result of lower expenses. Despite turbulent markets, the Coal segment managed to generate EBITDA of US\$400 million, down 52.6% year-on-year. During the reporting period, EVRAZ North America saw a deterioration in its financial performance in year-on-year terms, showing EBITDA of US\$(28) million, which was down from positive US\$38 million in 2019. Among the factors that contributed to low EBITDA levels were a weak market for tubular products, as well as consumption slowdown on other key markets due to the COVID-19 pandemic in North America. Overall, the Group ended 2020 with net debt of US\$3,356 million,

bringing its net debt/EBITDA ratio to 1.5, which is in line with the medium-term target that EVRAZ has set to maintain net debt below US\$4 billion. In 2020, the Group was able to generate robust free cash flow of US\$1,020 million, which made it possible to pay dividends of US\$872 million.

Outlook for 2021

In 2021, EVRAZ will continue to improve its safety culture, customer focus and operational efficiency, using digital tools where appropriate.

The Group aims to achieve significant progress in its key investment projects, the foremost of which is to upgrade the rail mills in North America and Nizhny Tagil. EVRAZ will also focus on making the best possible use of the opportunities that arise as the markets begin to recover from the pandemic in 2021.

Alexander Frolov
Chief Executive Officer

EVRAZ BUSINESS MODEL

OUR BASIS

STRATEGIC PRIORITIES

BUSINESS SEGMENTS

COMPETITIVE ADVANTAGES

THE VALUE WE CREATE FOR STAKEHOLDERS

Our vision

EVRAZ is a global steel and mining company, the leading producer of infrastructure steel products with low-cost production along the value chain.

Global market trends

In 2020, global finished steel consumption declined by 1.1% primarily driven by the impact of COVID-19. China continues to be the main driver of global demand, with growth of 9.0%. Despite lockdowns in the early part of 2020, consumption of iron ore continued to grow, rising by 0.7% in 2020. In 2020, global metallurgical coal consumption declined by 1.8% year-on-year. Despite COVID-19 containment measures, global vanadium demand increased 5% year-on-year, with increased consumption from rebar producers in China offsetting a decline in demand in other regions.



Sustainable development



EBS

EVRAZ Business System

EVRAZ strategic priorities reflect current focus areas that are driven by market conditions and business fundamentals.

Debt management and stable dividends

Prudent CAPEX

Retention of low-cost position

Development of product portfolio and customer base

Steel

EVRAZ Steel segment uses locally sourced raw materials to produce steel products in the CIS, which it sells for domestic infrastructure and construction projects while taking a flexible approach to exports. The Group's vanadium business is based on processing vanadium slag from steelmaking operations.

Read more on pages 46-49. →

Coal

EVRAZ Coal segment provides raw materials for the Group's steel mills, supplies coking coal to major domestic coke and steel producers, and exports its products to foreign customers.

Read more on pages 50-51. →

Steel, NA

The Steel, North America segment focuses on the premium markets in the Western US and Canada, offering high value-added products including infrastructure steel, rails, large-diameter pipes and oil country tubular goods.

Read more on pages 52-55. →

EVRAZ uses the synergies derived from its competitive advantages to ensure that its overall operations are able to generate, sustain and capture value over the long-term.

Leader in infrastructure steel products

A premium portfolio of railway, construction and tubular products with firm footprint in Russian, North American and global markets.

Strong position in coking coal market

The largest coking coal producer in Russia with an attractive portfolio of hard and semi-hard coking coal grades.

Vertically integrated low-cost operations

A sound base of steel and coal assets in the first quartile of the global cost curve.

→ Shareholders and investors

EVRAZ strives to act in shareholders' best interest by building an experienced management team and implementing corporate governance best practices.

→ Customers

EVRAZ generates value for its global clientele by prioritising value-added products, offering better shipping terms and running a client oriented business model.

→ Local communities

EVRAZ believes that conducting its business in a sustainable manner helps to promote regional prosperity where it operates and strives to create healthier, happier local communities by sponsoring social and economic development programmes.

→ Media

EVRAZ proactive engagement with the media boosts the quality and transparency of information about the Group.

→ Employees

EVRAZ is among the most sought-after employers in its regions of operation partly due to its staff development programmes and best-in-class working conditions.

→ Suppliers and contractors

EVRAZ honours its position as a vital purchaser of auxiliary materials by fostering the advancement of its customers' industries and running fair, transparent tenders.

→ Government and regulatory authorities

EVRAZ is one of Russia's largest taxpayers and employers, and plays a valuable role for the state by providing construction and railway products for the development of infrastructure.

→ Industry organisations

EVRAZ cooperates and supports various industry organisations through joint initiatives and proactively participates in conferences and forums.

Read more on pages 20- →

For additional information, pls see the EVRAZ Sustainability Report for 2020, which will be published in May 2021 →

Read more on pages 24-27. →

The section 172(1) statement, describing how the directors have had regard to the matters set out in section 172(1) (a) to (f) when performing their duty under section 172, is on pages 96-97. →

OPERATIONAL MODEL

INPUT

 **Proved and probable reserves**

9.9 bln t
of iron ore

1.9 bln t
of coking coal

 **Self-coverage¹**

68%
of iron ore

236%
of coking coal

^{1.} The raw material requirement of EVRAZ steelmaking facilities compared with coal product sales or production of iron ore products from own raw materials

 **Number of employees**

46,007
in Steel segment

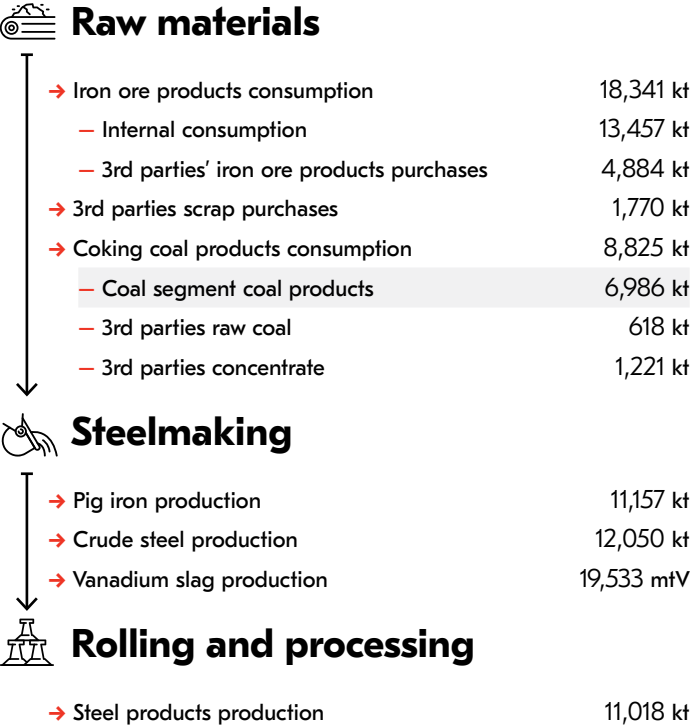
15,578
in Coal segment

3,278
in Steel, NA segment

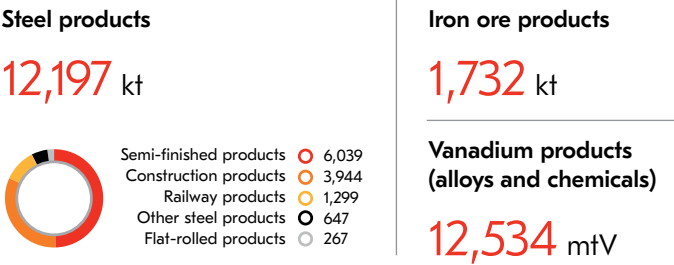
STEEL SEGMENT

Read more on [pages 46-49](#). →

OPERATIONS



SALES TO 3rd PARTIES



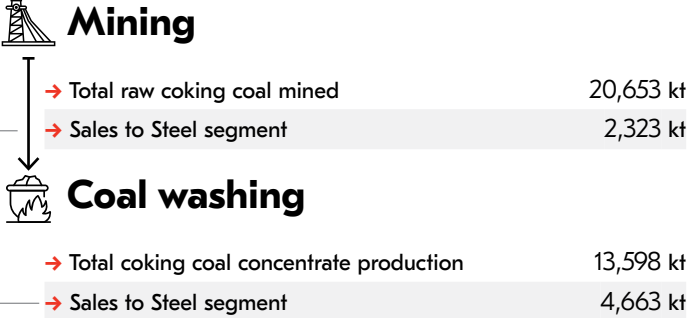
EBITDA

US\$ 1,930 million  7.5%
year-on-year

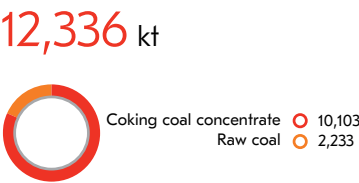
The Steel segment's EBITDA rose amid lower expenses compared to revenue, as a result of a decline in prices for raw materials, including coal, scrap and other raw materials, as well as lower cost of goods for resale amid a drop in vanadium prices and exchange rate impact on rouble denominated costs.

COAL SEGMENT

Read more on [pages 50-51](#). →



Coking coal products

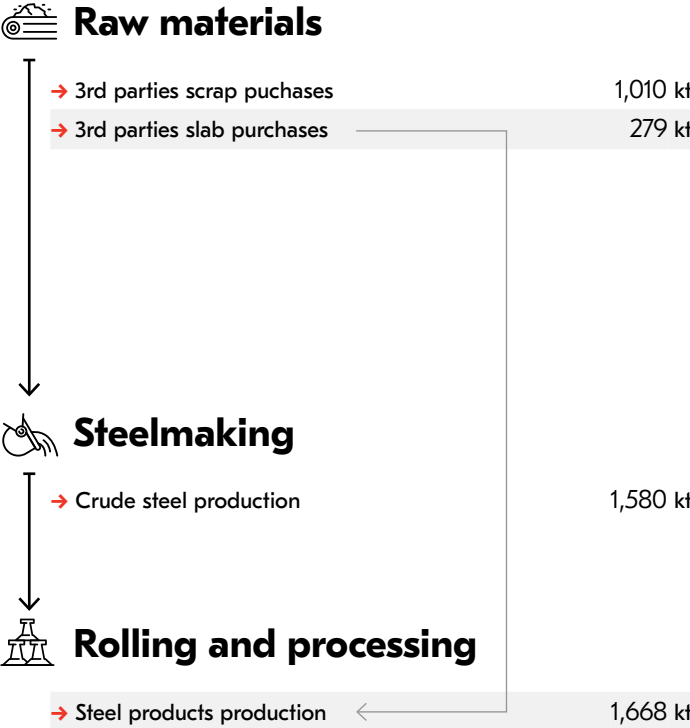


US\$ 400 million  52.6%
year-on-year

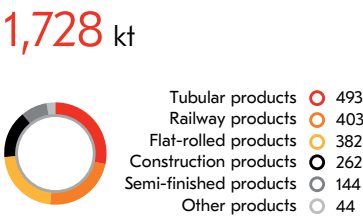
The Coal segment's EBITDA was down year-on-year, amid lower coal product sales prices, while the cost of sales was largely unchanged.

STEEL, NORTH AMERICA SEGMENT

Read more on [pages 52-55](#). →



Steel products



US\$ (28) million

The Steel, North America segment's EBITDA decreased due to lower revenues from sales of flat-rolled, tubular, railway, and construction products.

SUSTAINABLE DEVELOPMENT

EVRAZ environmental strategy until 2030 sets ambitious goals to reduce the negative impact on the environment, which meets the expectations of investors and the society.



ENVIRONMENTAL STRATEGY 2030 GOALS



GHG

- Reduce specific Scope 1 and 2 GHG emissions from EVRAZ's Steel segments (the Steel and North America segments) by 20%, which complies with the Paris Agreement.
- Utilise 75% of methane (CH₄) emitted in the process of degassing carried out during coal mining.

↓20%
tCO₂e/t steel

utilise 75%
of methane emitted
in the process
of degassing



AIR EMISSIONS

- Reduce total atmospheric emissions from steel production by 33%.
- Reduce dust emissions from coal mining by 1.5 times.

↓33%
Total
atmosphere
emissions

↓1.5x
dust
emissions (coal)



WATER

- Zero water discharge from steel production.

0 mln m³
water discharge



WASTE

- Utilise 95% of waste from metal production and general waste.
- Recycle 50% of mining waste.

recycle 95%
of gen.
and met. waste

recycle 50%
of mining waste



Our approach

EVRAZ understands the responsibility inherent in its position as one of the world's leading steelmakers and, as such, is committed to integrating sustainable development principles and values into its daily operations. The Group believes that sustainable development will help it to maintain the long-term stability of its business, retain a competitive market position and create value for its stakeholders.

EVRAZ sustainable development initiatives adhere to the OECD's Guidelines for Multinational Enterprises to apply a consistent approach and adopt best practices across its global operations.

The Group bases these commitments on the best international standards and practices, fully endorsing the United Nations Universal Declaration of Human Rights provisions and respecting people's civil, political, economic, social and cultural rights.



CSR



Governance

Read more
on [page 100](#) →



Health and safety

Read more
on [page 58](#) →



Environmental matters

Read more
on [page 60](#) →



Our people

Read more
on [page 68](#) →

Social and community matters

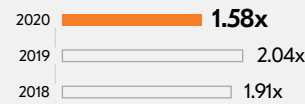
EVRAZ strives to adhere to international corporate social responsibility principles by making a meaningful contribution to local economies and supporting communities wherever it operates. Everywhere the Group operates, it seeks to build sustainable, positive partnerships with local governments and non-government organisations, as well as with business, media and other partners.

Read more on [page 74](#) →



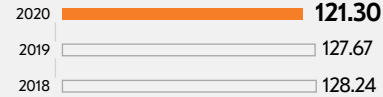
ESG HIGHLIGHTS

Lost time frequency injury rate



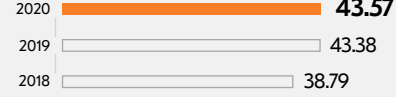
Read more on [page 58](#) →

Key air emissions, kt



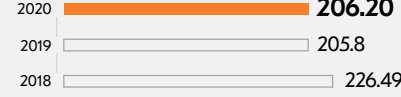
Read more on [page 60](#) →

EVRAZ GHG emissions, MtCO₂e



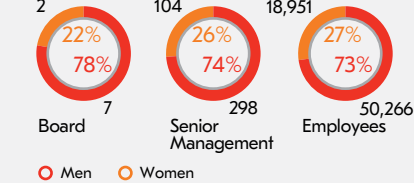
Read more on [page 65](#) →

Fresh water consumption, million m³



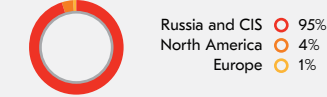
Read more on [page 62](#) →

Diversity, % (number of people)



Read more on [page 69](#) →

Employees by region

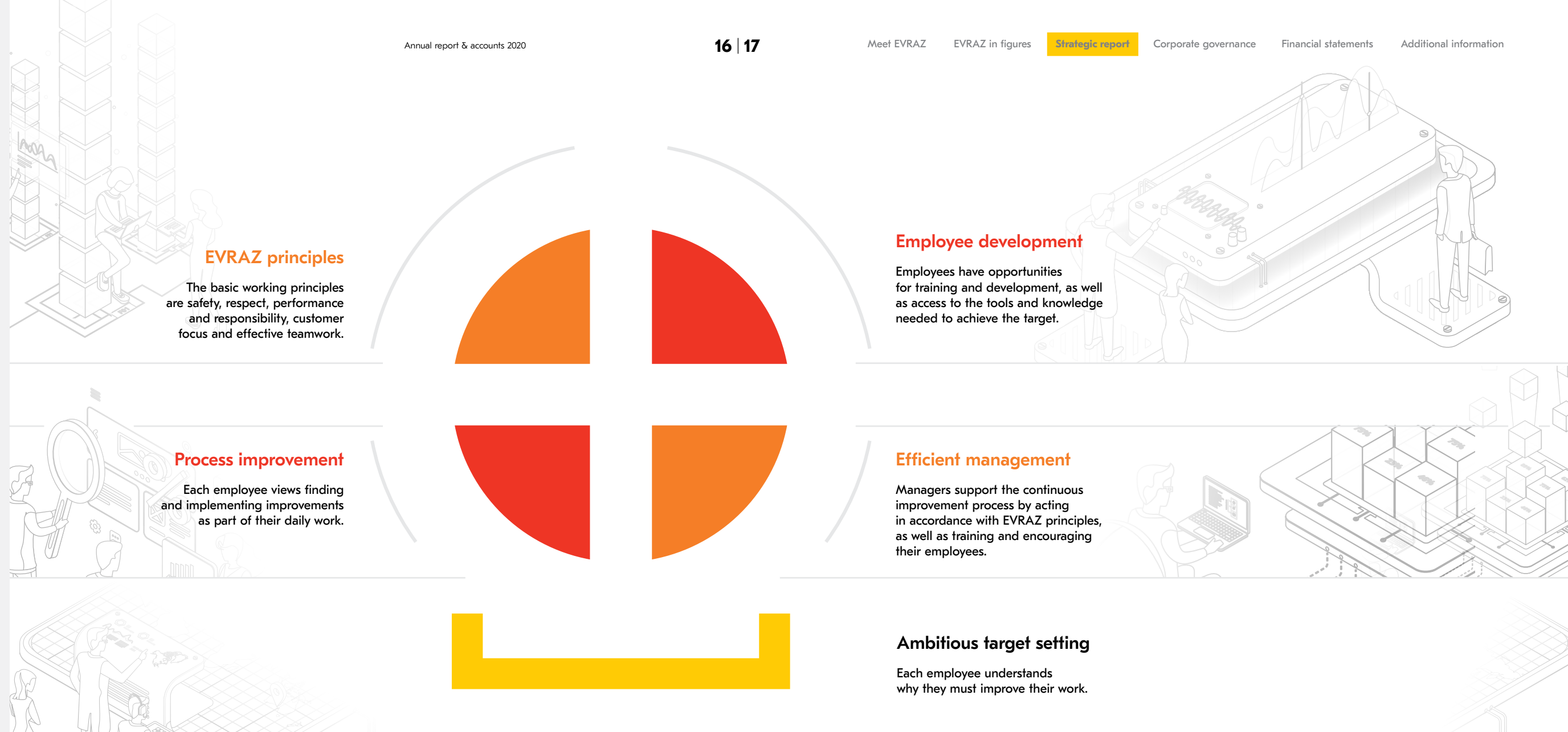


Read more on [page 69](#) →

EVRAZ BUSINESS SYSTEM:

10 YEARS OF SUCCESSFUL DEVELOPMENT

EVRAZ Business System (EBS) is a combined approach founded on a culture of continuous improvement which currently covers nearly all the Group's main operations.



EBS DEVELOPMENT TIMELINE: KEY EVENTS



2010

EBS development started. The company focused on maintaining and enhancing leadership positions in operational efficiency and cost reduction.

- Efficiency enhancement programmes launched at all the Group's enterprises. Working groups created for waste elimination and identification of bottlenecks.



2011

- Operational improvement directions created in all the divisions. Lean manufacturing and Six Sigma tools implemented along the manufacturing chain.
- First Lean sessions with top managers organised.



2012

- The Group undergoes a shift from simple lean management tools to more complex ones: 2P, SMED, A3, VSA.



2013

- Management Working Standard implemented at all the Group's enterprises.
- Six Sigma office launched in Urals, Siberia, and Coal divisions.



2014

- Fast improvement tools implemented at all the Group's enterprises.
- Lean training sessions for employees started.



2015

- The first EBS Summit organized in Kachkanar, with divisions sharing best practices of tools implementation.



2016

- The Idea Factory and Problem-Solving Board tools launched.



2017

- The EBS principles outlined.
- EBS transformation programmes developed for all the divisions.



2018

- The EBS transformation launched in the Urals and Coal divisions.
- Development managers' recruiting programme started.



2019

- The EBS transformation rolled out in the Vanadium division.
- The total effect of employees' initiatives surpassed USD 1 billion.



2020

- The EBS transformation of the Steel, North America segment started.
- New projects launched in the Siberia division (supply marketplace, technical direction transformation, etc.).

EVRAZ
BUSINESS
SYSTEM:
RESULTS 2020



Total EBS effect,
US\$ million

Overall effect of the initiatives
funnel from all initiatives
at all stages (L1-L5).

641



Idea Factory
results

■ Ideas
implemented ■ Ideas
accepted ■ Ideas
submitted

38,726 49,979 80,624



Problem-Solving Board
results

■ Problems
eliminated ■ Problems
submitted ■ Average problem
elimination term, days

28,529 29,956 30



Plant shops
involved
in transformation

91

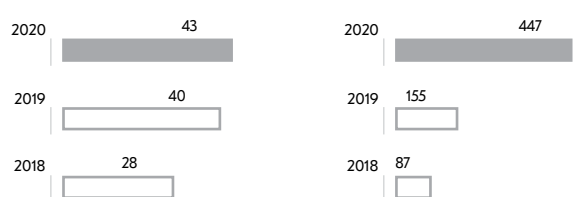
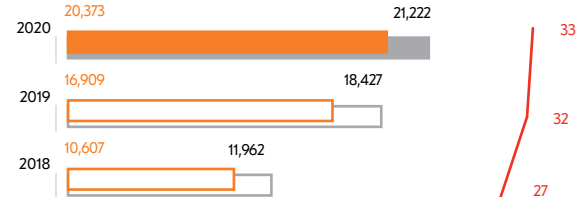
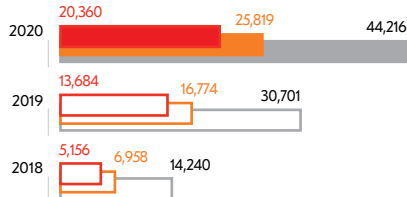


Number of people
completed
an internship
at EBS teams

816

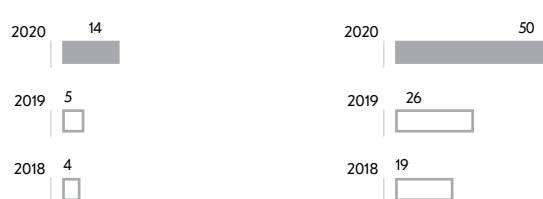
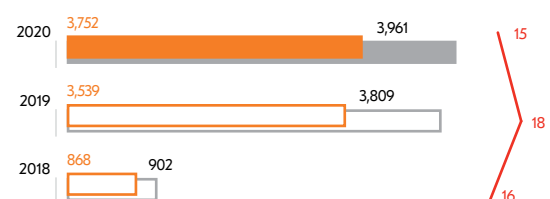
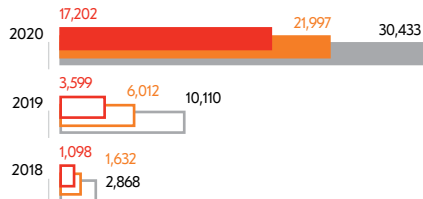
SIBERIA
DIVISION

358



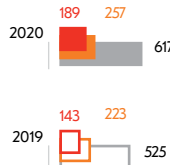
URALS
DIVISION

241



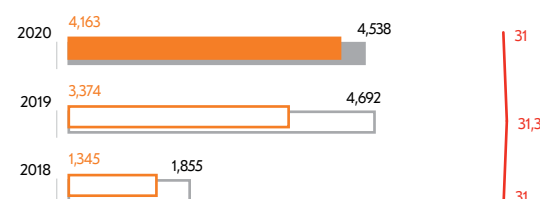
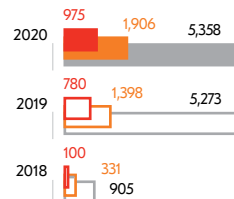
VANADIUM
DIVISION

25



COAL
DIVISION

17



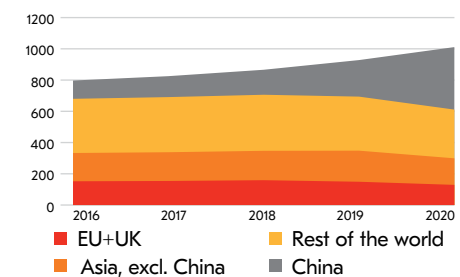
MARKET REVIEW

GLOBAL PICTURE

Steel

In 2020, global finished steel consumption fell by 1.1% to 1,752 million tonnes, compared with 1,771 million tonnes in 2019, with the decline primarily driven by the impact of the COVID-19 pandemic. China continues to be the main driver of global demand, with growth of 9.0% and consumption of 1,011 million tonnes over the reporting period. Global demand, excluding China, contracted by 12.1% to 741 million tonnes, versus 843 million tonnes in 2019. Consumption in the EU dropped by 13.1% due to the impact of COVID-19 on automobile and construction demand.

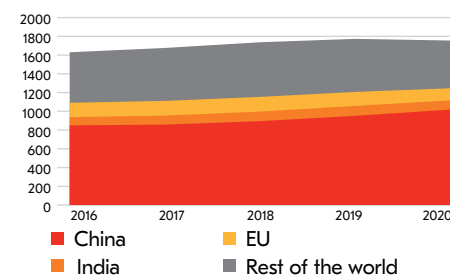
Global finished steel consumption, million tonnes



Source: CRU

Global crude steel production in 2020 declined by 1.0% to 1,756 million tonnes, mainly driven by COVID-19 related lockdown measures, which forced steel producers to close. Chinese production totalled 1,019 million tonnes, up 7.1% year-on-year, compared with 952 million tonnes in 2019. India's production declined by 7.9% to 98 million tonnes, driven by lockdowns throughout the country. Crude steel production in the EU fell by a further 13.1% year-on-year, as a result of increasing environmental requirements and responses to pandemic.

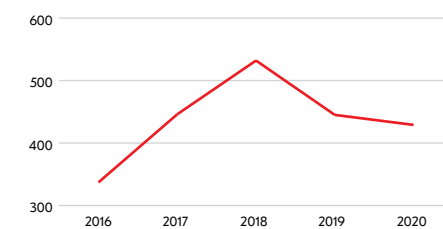
Global crude steel production, million tonnes



Source: CRU

Steel markets tightened rapidly at the end of 2020, as demand outpaced supply across the supply chain amid strong restocking activity. This led to a surge in steel prices in Q4 2020, as supply failed to keep up with a recovery in demand. Average steel prices, based on the CFR slab FE&SEA benchmark, increased from US\$361 per tonne in Q2 2020 to US\$497 per tonne in Q4 2020. As a result, the average price in 2020 amounted to US\$424 per tonne, down 3.8% year-on-year from US\$448 per tonne in 2019.

Steel price (Slab, CFR, East & South East Asia), US\$/tonne



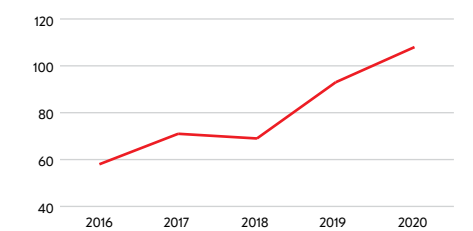
Source: CRU

and delayed mine restarts. China continued to ramp up domestic production of iron ore in order to attempt to meet domestic steelmaking demand, increasing production by 6.1% to 363 million tonnes in 2020.

Seaborne iron ore prices hit multi-year highs in the final quarter of 2020, with demand supported by strong steel margins and high output, driving the 62%

Fe Iron Ore fines index to a nine-year high of US\$177 per dry metric tonne CFR China in December. The outperformance throughout 2020 was driven by a combination of strong demand and supply fundamentals, with Chinese demand continuing to grow and supply constraints persisting. Average iron ore prices climbed by 16.1% to US\$108 per tonne in 2020, compared with US\$93 per tonne in 2019.

Iron ore price (62% Fe fines, CFR China), US\$/tonne



Source: CRU

Coal

In 2020, global metallurgical coal consumption declined by 1.8% year-on-year to over 1,142 million tonnes. In China, consumption remained flat year-on-year and amounted to 966 million tonnes as crude steel production remained robust. Indian coking coal imports decreased by 8.7% to 62 million tonnes, amid lower steel production driven by lockdowns. Metallurgical coal consumption in Europe continued to fall, by 12.1% in 2020, also amid lower demand from steelmaking companies due to COVID-19 restrictions.

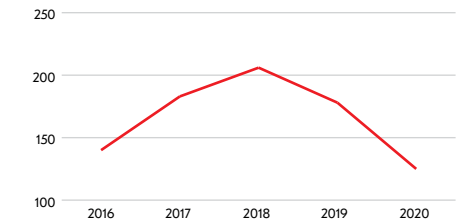
Total coking coal production declined by 2.3% year-on-year to 1,142 million tonnes during the period. China continued to increase

domestic metallurgical coal supplies, with growth of 0.3% to 725 million tonnes, while Australia posted a 4.8% decline to 178 million tonnes, as a result of declining exports through its major Queensland ports.

Metallurgical coal prices experienced a dislocation in 2020 with CFR prices trading higher while FOB Australia benchmarks fell. The predominant reason for this trend was China's decision in October 2020 to ban imports of Australian coal, thereby reducing demand for Australian imports, while pushing up domestic prices due to a reduction in supply. The oversupply of Australian material in the ex-China market put pressure on spot FOB prices. As a result, the average

Australian FOB spot price was US\$125 per tonne in 2020, down 29.8% from US\$178 per tonne in 2019.

Coal price (HCC Spot price, FOB Australia), US\$/tonne



Source: CRU

Iron ore

Despite lockdowns in the early part of 2020, global consumption of iron ore continued to grow, rising by 0.7% to 2,202 million tonnes in 2020. Growth in end use demand in China and strong rebar margins provided steel producers with incentives to maintain high output. The recovery in demand from manufacturing and automotive industries demand added momentum

and pushed HRC margins to their highest for two years. Iron ore demand rose by 7.1% to 1,420 million tonnes in China. Other key markets showed reductions of 4.7% to 70 million tonnes in South Korea and by 6.1% to 144 million tonnes in India, driven by lower steel production. European and US markets also declined by 14.3% and 17.3% respectively.

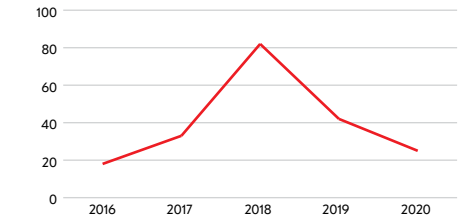
Total iron ore production increased by 0.8% to 2,272 million tonnes in 2020, compared with 2,253 million tonnes in 2019. Production in Brazil decreased by 6.5% during the year to 333 million tonnes, as Brazilian iron ore producers faced challenges with poor weather conditions, one of the worst COVID-19 outbreaks in the world and a legal environment that challenged management

Vanadium

Despite COVID-19 containment measures, global vanadium demand reached an estimated 108 metric tonnes of vanadium, up 5% year-on-year, with increased consumption from rebar producers in China offsetting a decline in demand from other regions. The ferrovanadium price was under pressure during mid 2020, reaching a low point in July at US\$22 per

kilogramme of vanadium, due to lower buying activity in most regions outside China. However, the market began to recover in Q4, which led to a price uptick, with an average 2020 price of US\$25 per kilogramme of vanadium (down 40% year-on-year).

Vanadium price (LMB FeV mid), US\$/kg



Source: Bloomberg

TRENDS ON CORE MARKETS

Steel: Russia

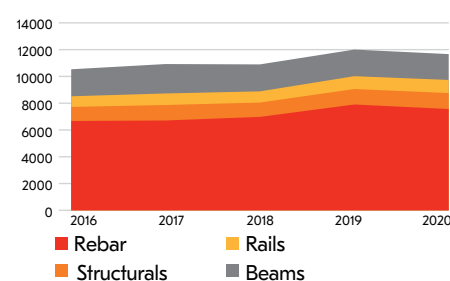
In 2020, Russian steel consumption totalled 54.9 million tonnes, down 5.6% year-on-year, amid lower economic activity and restrictions caused by the COVID-19 pandemic.

Demand for long products decreased by 3.3% year-on-year. The railway segment demonstrated mixed dynamics. While the rails market increased by 2.5%, mainly driven by demand from Russian Railways, demand for wheels fell by 15%, mainly amid lower consumption by railcar repair companies and producers. The construction sector was hit by the COVID-19 measures, and demand fell by 4.3% year-on-year for rebars, 2.8% for structural products, while demand for beams increased by 11.2%.

During the reporting period, crude steel production in Russia equalled 73.4 million tonnes, up 2.6% year-on-year. Despite softening in domestic consumption amid COVID-19 restrictions. Volumes were mostly redirected to export markets.

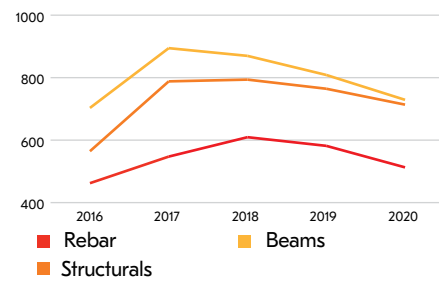
Russian steel prices moved in accordance with lower demand and a higher US dollar exchange rate. In 2020, based on the Moscow EXW benchmark, the rebar price averaged US\$513 per tonne, down 12% year-on-year; channels and angles averaged US\$714 per tonne, down 7%; and beams averaged US\$729/tonne, down 10%.

Russian steel consumption by product type, mt



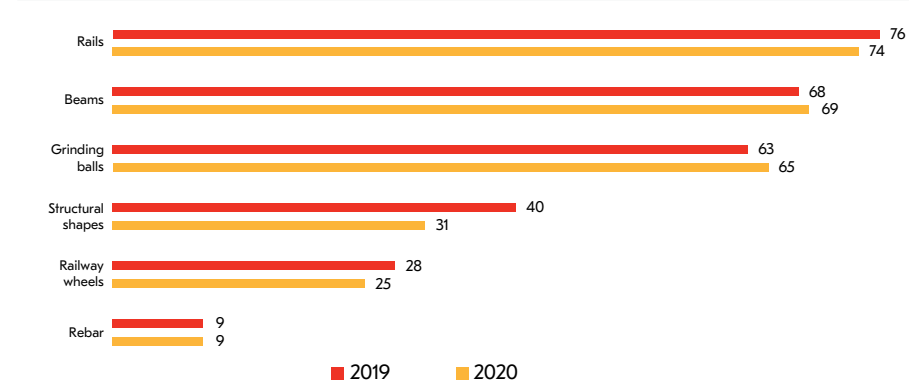
Source: Metal Expert

Russian steel prices, US\$/t



Source: Metal Expert

EVRAZ market shares in Russia by key products, %



Source: Company estimates

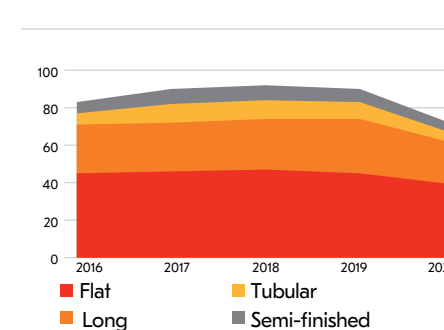
Steel: North America

In North America, the US steel market was significantly affected by the COVID-19 pandemic and was slow to recover from the resulting government-ordered lock-downs throughout 2020. In 2020, US steel product consumption totalled an estimated 84.4 million tonnes, down 18% from the 103.3 million tonnes in 2019. Demand was down across the three major project segments served by EVRAZ. In 2020, we estimate that demand in the US fell 22% year-on-year for long products, 12% for flat products, and 44% for tubular products.

Within the overall flat segment, demand for plate fell by an estimated 24% year-on-year amid lower consumption across all product groups with particularly acute consumption reductions in OEM manufacturing and construction. US demand for oil country tubular goods (OCTG) from mills shrank by 49%, as drilling activity dropped significantly due to substantial reductions in oil demand brought about by sharp decreases in COVID-related travel and movement. US demand for rebar fell approximately 18% while demand for rod fell approximately 30%.

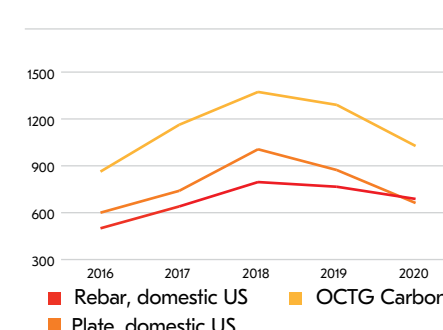
Through November 2020, US steel product imports amounted to 18 million tonnes, down 23.5% year-on-year. Compared with 2019, average US prices for steel products declined in 2020: plate averaged US\$662 per tonne, down 24%; carbon OCTG averaged US\$1,129 per tonne, down 20%; and rebar averaged US\$687 per tonne, down 10%.

US finished steel consumption, mt



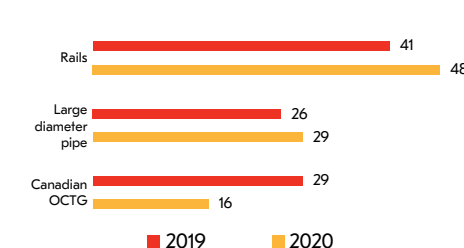
Source: Platts

North America prices, US\$/t



Source: Pipelogix, CRU, AMM

EVRAZ market shares in North America by key products, %



Source: Company estimates

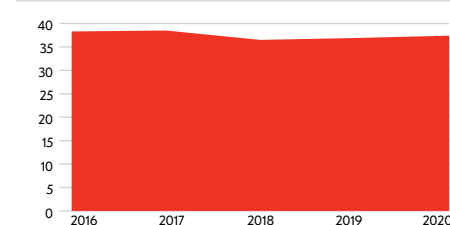
Coal: Russia

During the reporting period, Russian coking coal concentrate consumption totalled 37.4 million tonnes, up 1% year-on-year, as coke and pig iron production increased. Coking coal exports amounted to around 25 million tonnes, down 10% over the period, amid a decrease in demand across all regions, excluding China. Mining volumes fell to 84.4 million tonnes, down 10%, also as EVRAZ halted production at Razrez Rospadsky in Q2 and Q3 2020 and at Mezhegeyugol.

Under pressure from cuts in steel output worldwide (apart from China), Russian prices of seaborne metallurgical coal shipments followed international benchmarks. In 2020, based on the FCA Kuzbass benchmark,

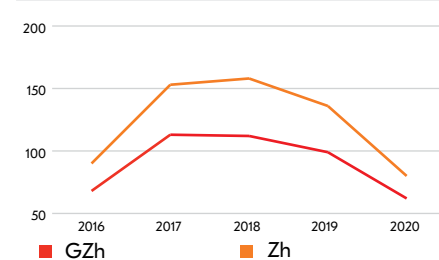
the price of premium Zh-grade coking coal averaged US\$80 per tonne, down 41% year-on-year, and semi-hard GZh-grade averaged US\$62 per tonne, down 37%.

Russian metallurgical coal consumption, mt



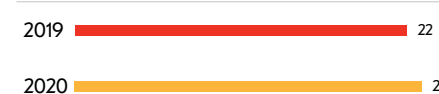
Source: CRU

Coal prices, US\$/t



Source: Metal Expert

EVRAZ market share in Russia's coking coal, %



Source: Company estimates

STRATEGIC PRIORITIES

DEBT MANAGEMENT AND STABLE DIVIDENDS

EVRAZ remains focused on medium-term debt management and maintaining a stable dividend payout:

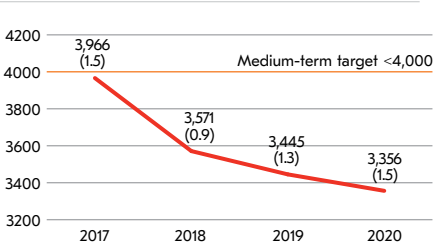
- Dividend payout according to stated dividend policy: a minimum of US\$300 million to shareholders annually provided that the net leverage ratio remains below 3.0x.
- Medium-term net debt level below US\$4,000 million.
- Target average net debt/EBITDA at 2.0x throughout the cycle.

In 2020, the Group's net debt amounted to US\$3,356 million, remaining below the medium-term target of US\$4,000 million.

The average net debt/EBITDA ratio was 1.5x. Even when facing market volatility, EVRAZ remains committed to maintaining its long-term average net debt/EBITDA at 2.0x.

In 2020, the Group generated solid free cash flow of US\$1,020 million. Coupled with a net debt/EBITDA ratio below 2.0x, this enabled EVRAZ to return US\$872 million to its shareholders in the form of dividends for a dividend yield of 14%.

Net debt (net debt/EBITDA), US\$ million



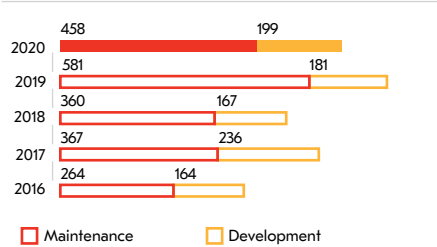
Dividends, US\$ million

	2020	2019	2018	2017
Dividends	872	1,086	1,556	430
Yield	14%	11%	17%	9%

PRUDENT CAPEX

In 2020, EVRAZ invested a total of US\$657 million in CAPEX, of which US\$458 million was spent on maintenance projects and US\$199 million on development projects. Development investments grew by 9.9% year-on-year, mainly as a result of an increase in spending on EVRAZ Pueblo's long rail mill project.

Annual CAPEX, US\$ million



Key projects

Long rail mill at EVRAZ Pueblo

Effect:
630 ktpa of rails with a maximum length of 100 metres

CAPEX 2020
~US\$ 46 million

Status:
active

Rail and beam mill modernisation at EVRAZ NTMK

Effect:
481 ktpa of high value-added products (H-beams, sheet piles and HH rails) instead of semi-finished products

CAPEX 2020
~US\$ 2 million

Status:
active

Tashtagol iron ore mine upgrade

Effect:
increase the annual ore production of the Tashtagolsky deposit with a partial switch to sublevel caving using mobile equipment

CAPEX 2020
~US\$ 24 million

Status:
active

Sobstvenno-Kachkanarsky deposit greenfield project

Effect:
maintain production of raw iron ore

CAPEX 2020
~US\$ 13 million

Status:
active

Acquisition of equipment at Osinnikovskaya mine

Effect:
Acquisition of equipment fully compliant with mining and geological conditions to provide the projected longwall load on a monthly basis.

CAPEX 2020
~US\$ 14 million

Status:
completed

Blast furnace No. 6 major overhaul at EVRAZ NTMK

Effect:
reconstruction of blast furnace No. 6 with a planned capacity of 2.5 mtpa

CAPEX 2020
~US\$ 80 million

Status:
completed

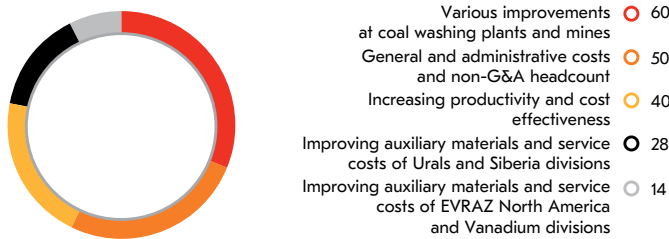


RETENTION OF LOW-COST POSITION

Efficiency and cost-cutting remain a primary focus for the Group. EVRAZ is on pace to generate improvements with an annual EBITDA effect of 3% of the cost of goods sold.

In 2020, the EBITDA effect from cost-cutting initiatives totalled US\$192 million.

Breakdown of cost-cutting programme effect in 2020, US\$ million



Steel segment

2020 key initiatives and results

- EVRAZ NTMK successfully completed the reconstruction of blast furnace no. 6.
- EVRAZ ZSMK increased its pig iron production to 6.2 million tonnes, its largest volume in 30 years.
- Implementation of Repair function transformation projects in six pilot facilities.
- EVRAZ KGOK continued to develop the Sobstvenno-Kachkanarskoe deposit, which is due to partly replace output from the Gusevogorskoe deposit.

2021 key initiatives

- Re-equip EVRAZ NTMK’s ladle shop and improve the output of its blast furnaces.
- Implement digital transformation projects for predictive analytics, digital BOF efficiency management and ferroalloy consumption optimisation.
- Improve the efficiency of expert systems, developing predictive and advanced analytics.

- Implement initiatives aimed at costs reduction of manufactured products.
- Improve energy efficiency of the main shops.

Coal segment

2020 key initiatives and results

- Launched production at the Uskovskaya mine’s new seam No. 48 and the Esaulskaya mine’s seam No. 29a.
- Procured replacement of mining equipment for the Osinnikovskaya and Alardinskaya mines.

- Acquired licence to develop the Kumzass open pit.
- Continued to roll out EBS transformation projects on schedule.
- Launched 11 digital transformation initiatives.

2021 key initiatives

- Increase raw coal production volumes to around 25 million tonnes.
- Develop K and Zh grades (HCC) production which are in high demand.

Steel, North America segment

2020 key initiatives and results

- Improved operating efficiency of EVRAZ Regina’s pipe mills and steelmaking operations.
- Optimised conversion costs across all production facilities.
- Reduced general and administrative expenses as well as fixed costs.
- Completed the upgrade of EVRAZ Regina’s reheat furnace, after which the mill was certified as meeting the new nitrogen oxide emissions requirements.

- Continued the project to modernise equipment and expand production capacity at EVRAZ Regina in Saskatchewan and EVRAZ Red Deer in Alberta.
- Launched EBS at EVRAZ Pueblo steelmaking operations.

2021 key initiatives

- Continue EVRAZ Pueblo’s long rail mill project.
- Complete the ongoing projects at EVRAZ Red Deer and EVRAZ Regina.
- Continue the roll-out of EBS at the rest of the Pueblo site.

CUSTOMER FOCUS

EVRAZ remains focused on executing its development projects aimed at diversifying its product portfolio.

In 2020, the customer focus programme generated an EBITDA effect of US\$234 million.

Customer focus programme EBITDA effect in 2020, US\$ million



Steel segment

2020 key initiatives and results

- Continued to develop a programme aimed at promoting demand for beams and structural products in construction and improving the availability of products to clients.
- A 10% year-on-year increase in beam sales despite the reduction in demand for other products amid the COVID-19 pandemic.
- Launched a project to sell beam sets for constructing buildings such as car parks, logistical centres and industrial facilities.
- Launched a hub in Nizhny Tagil to improve availability of beams for customers.
- Launched a metal service centre in Noginsk.
- Ensured consistently high production volumes at EVRAZ Caspian Steel amid solid demand in Kazakhstan and Central Asia despite the pandemic.

- Launched an initiative to digitalise sales channels, including the following key projects:
 - Steel Radar: an online resource that shows beam inventories in traders’ warehouses and enables purchase orders to be placed.
 - EDI/EDO: EDI is a platform for placing orders and handling administrative tasks like amending documents and invoices, while EDO is a platform for exchanging legal documents.
 - EVRAZ Webshop: a single e-commerce platform for all types of customers.
- In the vanadium business, EVRAZ further expanded its customer base in Asia and the Middle East and North Africa (MENA) region.
- EVRAZ established a new research and development centre at East Metals, a Group subsidiary in Switzerland, the main objective of which is to support the sustainable and diversified use

- of vanadium as an alloying element in current and future steel products.
- Developed a new product, threaded rebar, which helps to reduce construction time.
- Laid pilot batches of a unique new product, type DT400IK rails, for testing on the East Siberian and Trans-Baikal railways.

2021 key initiatives

- Expand the range of steel solutions for construction industry.
- Implement new phase of "Customer service" projects.
- Continue digitalisation of sales channels.
- Implement Digital transformation projects for clients.
- Continue consumer properties assessment for DT400IK rails.
- Certify the DT370 rails.

Coal segment

2020 key initiatives and results

- Increased sales volumes under the long-term contracts despite the reduction in global demand amid the pandemic.

- Increased the share of internal coal supplies to the Group’s assets in Russia to 78%.

2021 key initiatives

- Increase sales under long-term contracts to premium markets.

Steel, North America segment

2020 key initiatives and results

- Continued commercialisation of APEX G2 rail and rubber reinforcement rod/bar products.
- Expanded our leadership position in the North American rail market (achieved 48% share).
- Strengthened Quality organization and management systems across North American sites.
- As part of the EVRAZ Pueblo new rail mill project, continued partnership with Xcel

Energy and Lightsource BP, who have commenced construction of the new solar field adjacent to the mill and will provide about 90% of EVRAZ Pueblo’s electricity.

2021 key initiatives

- Continue focusing on developing new products and applications across all product lines.
- Continue enhancing and expanding R&D capabilities to meet customer demand.

- Grow share of our rod product on the Aluminium Clad Steel Reinforced (ACSR) market.
- Continue roll-out of enhanced quality and risk management practices and tools across North America.

KEY PERFORMANCE INDICATORS

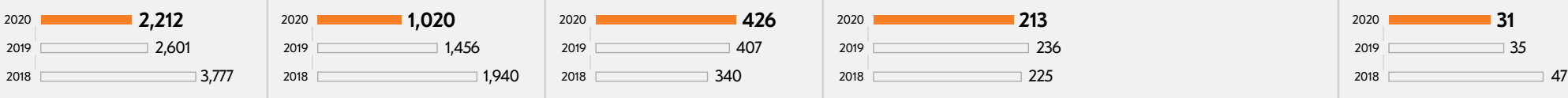
EVRAZ performance is assessed against several key performance indicators (KPIs), which are linked to our strategic priorities.

FINANCIAL

KPI

EBITDA, US\$ million	Free cash flow, US\$ million	Effect from efficiency improvement programme, US\$ million (cost cutting + customer focus)	Cash cost of slab, US\$ per tonne	Cash cost of coal concentrate, US\$ per tonne
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DATA



WHAT DOES IT MEAN?

Our financial performance	Our ability to generate free cash flow from the current business	The effect of our efforts to generate and implement efficiency improvements initiatives	Our integrated cash-cost per tonne of slab for Russian steel plants	Our cash-costs per tonne of washed coal products
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HOW DID WE PERFORM IN 2020?

The decline in EBITDA was primarily attributable to lower steel, vanadium and coal products sales prices, as well as lower sales of tubular and flat-rolled steel products resulting from weakening market demand in North America.	The decline compared to 2019 is primarily attributable to lower EBITDA.	The efficiency programme generated additional effect mostly through productivity growth, yield improvements and numerous savings projects. Customer focus initiatives generated additional effect as result of sales efforts in railway products as well as due to numerous improvements in logistics and procurement efficiency.	Cash cost of slab decreased due to lower material prices, better raw materials' yields and mix as well as due to lower auxiliary, services and repairs costs.	Coking coal concentrate cash cost decreased mainly as a result of rouble depreciation.
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RELEVANCE TO STRATEGIC PRIORITIES

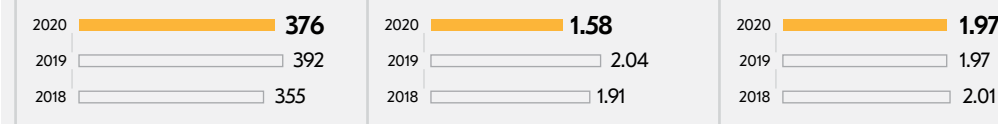
<ul style="list-style-type: none">Retention of low cost positionDevelopment of product portfolio and customer base	<ul style="list-style-type: none">Debt management and stable dividendPrudent CAPEXRetention of low cost positionDevelopment of product portfolio and customer base	<ul style="list-style-type: none">Retention of low-cost positionDevelopment of product portfolio and customer base	<ul style="list-style-type: none">Retention of low-cost positionDevelopment of product portfolio and customer baseEVRAZ business system	<ul style="list-style-type: none">Retention of low cost positionDevelopment of product portfolio and customer base	<ul style="list-style-type: none">Retention of low-cost position	<ul style="list-style-type: none">Sustainable development	<ul style="list-style-type: none">Sustainable development
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FURTHER DETAILS

Read more on page 252 →	Read more on page 252 →	Read more on page 255 →	Read more on page 255 →	Read more on page 255 →	Read more on page 255 →	Read more on page 255 →	Read more on page 255 →
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NON-FINANCIAL

Labour productivity, steel, tonnes per person	LTIFR (excluding fatalities), per 1 million hours	GHG intensity ratio, tCO ₂ e per tonne of crude steel
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Productivity of our workforce	Key indicator of the Group's health and safety performance	The effect of our efforts to reduce the carbon footprint of our production
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Labour productivity decreased as a result of lower production volumes coupled with a decline in number of employees comparing to the previous year.	As part of its efforts to improve the safety culture, EVRAZ focused on a new approach to engage employees in the process of identifying and mitigating risks. This and other initiatives helped to bring the lost-time injury frequency rate — a key health and safety metric — down to 1.58x. The Group surpassed its target level of 1.61x.	Overall emissions in the steel sector (the Steel and North America segments) were 0.5% lower than the 2019 level, mostly due to a minor decrease in crude steel production and therefore the specific intensity of GHG emissions remains at the same level of 1.97 tCO ₂ e/tcs.
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IMPACT OF COVID-19

EVRAZ is closely monitoring the pandemic and its impact on employees, operations and the broader stakeholder base. The Group is committed to doing all reasonable steps to protect the lives and health of employees and minimise the effect on its enterprises and the communities in which it operates.

Impact on key markets

Global steel prices continued to slide throughout spring 2020, primarily due to the initial outbreak of COVID-19 in China. In March, as the pandemic spread, several key markets in Southeast Asia were locked down, including the Philippines, Thailand and Indonesia, among others.

To hedge against the risk of production disruptions, the Group extended the order book for semi-finished products with overseas customers where possible. In early April, the only accessible market was China, one of the first countries to stabilise amid the pandemic and restore consumer activity. Facing such limited demand, the price decline on global markets accelerated. However, from early May, as countries started to ease lockdown restrictions and market conditions improved, the trend reversed and prices recovered, even gaining additional positive momentum, which helped to end the year with growth.

For more details about the performance of key markets in 2020, see Market Review on [pages 20-23](#) →

Impact on operations

The Group remains closely focused on its operations, including logistics, supply and technological processes. Despite the fact that more than 6,700 employees contracted COVID-19 in 2020, EVRAZ faced no significant issues with the production

or supply of raw materials and other goods. Shipments continued and raw material deliveries to enterprises were stable.

Impact on liquidity, solvency and access to financing

In 2020, the pandemic had a limited impact on the Group's liquidity. Despite the negative market trends seen mostly in the first half of the year, operations and sales continued to generate sufficient operating cash flow through the year, while EVRAZ proactively addressed its upcoming obligations and maintained a strong liquidity position. As of 31 December 2020, cash and cash equivalents stood at around US\$1.6 billion, supported by operating cash flow and financing initiatives.

For more details, see Financial Review on [pages 32-43](#) →

Measures taken to protect the wellbeing and safety of employees and local communities

Since March 2020, in response to the COVID-19 pandemic, the Group has introduced numerous additional safety measures to protect its people and ensure operational continuity:

- Significant reduction of domestic business travel and cancellation of overseas trips.

- Two-week isolation with salary for employees returning from trips abroad, either personal or work-related.
- Remote work, as well as additional personal protection equipment for employees who must come to work, including eye protectors, respirators and gloves.
- Installation of thermal imaging devices and pyrometers at facility entrances to monitor people's temperatures.
- Elimination of large gatherings where possible (with social distancing when they must take place) and cancellation of all major corporate, sporting and entertainment events.
- Increase in supplies of antiseptic and disinfectant products in communal areas, as well as regular sanitation of facilities and transport.
- Campaigns to raise awareness among employees and contractors about behavioural guidelines, social distancing and personal protection.
- Access to a telemedical consultancy service.

In addition to caring for the physical health of employees and their families, EVRAZ is carefully assessing the possible mental impact of the measures being undertaken to prevent the spread of COVID-19. More than 4,500 employees of the Group were switched to remote work during the peak of the pandemic.

Since March 2020, EVRAZ has undertaken additional measures aimed at supporting the wellbeing and mental health of its employees during the pandemic:

- The corporate website has been updated with a special page containing information about COVID-19 (<https://www.evraz.com/en/covid-19/>) and the actions that the Group is taking amid the pandemic. The page provides phone numbers for 24/7 corporate hotlines if employees have questions or encounter problems. EVRAZ North America has engaged external providers for this purpose.
- Employees receive regular emails on topics such as how to deal with stress and anxiety; manage remote teams effectively; handle conflicts at home; and organise children's education and entertainment; as well as the importance of leisure time amid self-isolation and other restrictions.
- Virtual meetings with senior management are being held, allowing employees to participate and ask questions.
- Corporate challenges are regularly being set to promote positive change. As part of the "We Do Not Risk" social media challenge, for every post by participants, EVRAZ is providing antiseptic and masks to doctors at municipal hospitals in Nizhny Tagil, Kachkanar, Novokuznetsk and Mezhdurechensk. The "What I Will Do After Self-Isolation" challenge allows employees to share their thoughts and improve their outlook by seeing what colleagues are planning.
- The PR function is sending newsletters to inform employees about the Group's work to deal with the virus, as well as global and local events.
- The IT function has rolled out a mobile application for employees in Russia called "Antivirus" to promptly alert employees of possible COVID-19 exposure. It is based on the "Stopp Corona" application, which was developed jointly by Accenture and the Austrian Red Cross to identify symptoms more efficiently.

In addition to these measures, the IT and HR functions are conducting regular employee surveys to learn about their experience of working remotely, as well as any technical

or personal problems, what help is needed from the Group, and what can be improved.

In 2020, EVRAZ financed the purchase of specialised equipment, transport and protective gear for hospitals in Russia's Sverdlovsk and Kemerovo regions. In particular, Novokuznetsk's municipal clinical infectious disease hospital No. 8 is being renovated to accommodate a polymerase chain reaction (PCR) laboratory. It will offer COVID-19 tests and same-day results, and its new equipment will be able to screen for different viruses without having to be adapted.

Additionally, the Group opened a COVID-19 treatment facility for its employees at the Urals Vladislav Tetyukhin Medical and Rehabilitation Centre. Put into operation in December 2020, the facility is fully equipped to treat COVID-19 patients and can admit up to 25 people. To equip the facility, EVRAZ financed the acquisition of ventilators, a fibre-optic bronchoscope, a defibrillator, 25 oxygen humidifiers, as well as an Airvo 2 machine with a supply of consumables to treat breathing disorders and facilitate transition from artificial lung ventilation to oxygen therapy. The facility has two zones, one for the medical personnel and one for the patients. Doctors and nurses work in weekly shifts; catering is provided to them in disposable containers. Over 40 employees of EVRAZ NTMK and EVRAZ KGOK have been treated at the facility. The Group is currently considering setting up a post-treatment rehabilitation centre and will expand its cooperation with medical organisations in local communities.

Since the outset of the pandemic, EVRAZ has allocated more than US\$25 million to ensure safe working conditions for employees, as well as to support medical and pre-school institutions in local communities in Sverdlovsk and Kemerovo regions, Moscow and Tula.

Outlook

The management of EVRAZ plc has considered the Group's cash flow forecasts for the period to 30 June 2022 being its going concern assessment period and has evaluated various financial performance scenarios, including a base, pessimistic and an additional stress downside test scenario. These scenarios considered the possible impacts of the COVID-19 crisis on the financial results and liquidity position of the Group as well as the potential impact of the possible coal assets demerger (Note 2, Accounting Judgements).

The most pessimistic stress scenario is based upon results at the level experienced in 2009, the lowest reported results since the Group listed in 2005, and assumes prices for steel, iron ore and coal all significantly below management's current forecasts. In this scenario, the Group maintained sufficient liquidity for the period to 30 June 2022 and would be able to operate within its debt covenants. Furthermore, since 2009 the Group disposed of some of its low-performing assets in South Africa, Ukraine, North America and the Czech Republic and acquired additional assets in the Russian Federation, which have improved the Group's profitability despite an overall decrease in steel production capacity. The conclusions below are not changed by any currently expected potential impacts of the possible coal assets demerger, a transaction within the Group's control and which it would not proceed with if it were to have a detrimental impact on going concern or shareholder value.

The Group does not reasonably anticipate that the most pessimistic stress scenario will occur, given the relatively limited impacts on the Group's businesses to date and the signs of a recovery in key markets.

Based on this analysis and other currently available facts and circumstances directors and management have a reasonable expectation that the Company and the Group have adequate resources to continue in the foreseeable future.



FINANCIAL REVIEW



Nikolay Ivanov
Chief Financial Officer

STATEMENT OF OPERATIONS

In its full-year financial results for 2020, EVRAZ reported a 18.1% year-on-year decrease in consolidated revenues, which totalled US\$9,754 million, compared with US\$11,905 million in 2019. The reduction was primarily the result of a drop in sales prices for steel, vanadium and coal products against a background of less favourable market trends.

EVRAZ’ consolidated EBITDA amounted to US\$2,212 million in the period, compared with US\$2,601 million in 2019, with the EBITDA margin rising to 22.7%, from 21.8%, and free cash flow amounting to US\$1,020 million in 2020. The decline in EBITDA was primarily attributable to lower steel, vanadium and coal product sales prices, as well as lower sales of tubular and flat-rolled steel products resulting from weakening market demand in North America.

The Steel segment’s revenues (including inter-segment) dropped by 14.4% year-on-year to US\$6,969 million, or 65.4% of the Group’s total before elimination. The decrease was mainly due to lower revenues from sales of vanadium and steel products, which fell

by 46.0% and 8.4% year-on-year respectively. This was primarily due to a downturn in average sales prices of 42.7% for vanadium and 9.4% for steel products, underpinned by unfavourable market conditions. The Group’s lower prices from sales of steel products were partly offset by higher sales volumes, which increased from 11.0 million tonnes in 2019 to 12.1 million tonnes in 2020, following an increase in production volumes at Russian mills amid higher demand.

The Steel, North America segment’s revenues decreased by 28.8% year-on-year. Steel product revenues fell by 29.2%, driven by declining sales volumes (down 21.7%) and lower prices (down 7.5%).

The Coal segment’s revenues fell by 26.3% year-on-year, due to a 35.1% decline in coal product sales prices which was partly offset by a 9.6% increase in coal product sales volumes. Coal prices followed the downward trend set by global benchmarks during the period.

In 2020, the Steel segment’s EBITDA rose amid lower expenses compared to revenue,

as a result of a decline in prices for raw materials, including coal, scrap and other raw materials, and exchange rate impact on rouble denominated costs.

The Steel, North America segment’s EBITDA decreased due to lower revenues from sales of flat-rolled, tubular, railway, and construction products.

The Coal segment’s EBITDA was down, amid lower coal product sales prices, while the cost of sales was largely unchanged.

Eliminations mainly reflect unrealised profits or losses that relate to the inventories produced by the Steel segment on the Steel, North America segment’s balance sheet, and coal inventories produced by the Coal segment on the Steel segment’s balance sheet.

Revenues, US\$ million

Segment	2020	2019	Change	Change, %
Steel	6,969	8,143	(1,174)	(14.4)
Steel, North America	1,779	2,500	(721)	(28.8)
Coal	1,490	2,021	(531)	(26.3)
Other operations	410	483	(73)	(15.1)
Eliminations	(894)	(1,242)	348	(28.0)
Total	9,754	11,905	(2,151)	(18.1)

Revenues by region, US\$ million

Region	2020	2019	Change	Change, %
Russia	3,722	4,373	(651)	(14.9)
Asia	2,949	2,893	56	1.9
Americas	1,915	2,709	(794)	(29.3)
CIS (excl. Russia)	584	865	(281)	(32.5)
Europe	461	956	(495)	(51.8)
Africa and the rest of the world	123	109	14	12.8
Total	9,754	11,905	(2,151)	(18.1)

EBITDA, US\$ million

Segment	2020	2019	Change	Change, %
Steel	1,930	1,795	135	7.5
Steel, North America	(28)	38	(66)	n/a
Coal	400	843	(443)	(52.6)
Other operations	15	18	(3)	(16.7)
Unallocated	(126)	(141)	15	(10.6)
Eliminations	21	48	(27)	(56.3)
Total	2,212	2,601	(389)	(15.0)

For the definition of EBITDA, please refer to page 253

The following table details the effect of the Group’s cost-cutting initiatives.

Effect of Group’s cost-cutting initiatives in 2020, US\$ million

Improving yields and raw material costs, including	102
Various improvements at coal washing plants and mines	60
Auxiliary materials and service costs of Urals and Siberia operations	28
Auxiliary materials and service costs of North American and Vanadium operations	14
Increasing productivity and cost effectiveness	40
Others, including	50
Reduction of general and administrative (G&A) costs and non-G&A headcount	49
Assets optimisation	1
Total	192

Revenues, cost of revenues and gross profit of segments, US\$ million

	2020	2019	Change	Change, %
Steel segment				
Revenues	6,969	8,143	(1,174)	14.4
Cost of revenues	(4,596)	(5,836)	(1,240)	(21.2)
Gross profit	2,373	2,307	66	2.9
Steel, North America segment				
Revenues	1,779	2,500	(721)	(28.8)
Cost of revenues	(1,604)	(2,204)	600	(27.2)
Gross profit	175	296	(121)	(40.9)
Coal segment				
Revenues	1,490	2,021	(531)	(26.3)
Cost of revenues	(1,027)	(1,046)	(20)	(1.9)
Gross profit	463	975	(512)	(52.5)
Other operations — gross profit	115	116	(1)	(1.0)
Unallocated — gross profit	(8)	(4)	4	n/a
Eliminations — gross profit	(76)	(58)	18	(31.0)
Total	3,042	3,632	(590)	(16.2)

Gross profit, expenses and results, US\$ million

	2020	2019	Change	Change, %
Gross profit	3,042	3,632	(590)	(16.2)
Selling and distribution costs	(840)	(966)	126	(13.0)
General and administrative expenses	(552)	(611)	59	(9.7)
Social and social infrastructure maintenance expenses	(31)	(26)	(5)	19.2
Gain/(loss) on disposal of property, plant and equipment, net	(3)	3	(6)	n/a
Impairment of assets	(310)	(442)	132	(29.9)
Foreign exchange gains/(losses), net	408	(341)	749	n/a
Other operating income and expenses, net	(43)	(32)	(11)	34.4
Profit from operations	1,671	1,217	454	37.3
Interest expense, net	(322)	(328)	6	(1.8)
Share of profits/(losses) of joint ventures and associates	2	9	(7)	(77.8)
Impairment of non-current financial assets	-	(56)	(56)	n/a
Gain/(loss) on financial assets and liabilities, net	(71)	17	(88)	n/a
Gain/(loss) on disposal groups classified as held for sale, net	1	29	(28)	(96.6)
Other non-operating losses, net	14	14	-	-
Profit before tax	1,295	902	393	43.6
Income tax expense	(437)	(537)	100	(18.6)
Net profit	858	365	493	n/a

In 2020, selling and distribution expenses fell by 13.0%, amid lower railroad transportation costs related to lower shipment volumes and tariffs. General and administrative expenses fell by 9.7%, mostly due to a furlough in the May-July period and staff reductions in North America caused by weak market conditions and idling.

In 2020, EVRAZ recognised a US\$310 million impairment loss. As a result of impairment testing, in 2020, the Group recognised a US\$234 million impairment loss with respect to the Large diameter pipes cash-generating unit, which was allocated to goodwill (US\$65 million), intangible assets (US\$16 million) and property, plant

and equipment (US\$153 million) and a US\$67 million impairment loss with respect to the Oil Country Tubular Goods cash-generating unit, which was allocated to goodwill. The impairment was caused by the reassessment of demand on the steel, oil and commodities markets in the USA and Canada.

Foreign exchange gains amounted to US\$408 million, mainly related to intra-group loans denominated in roubles and payable by subsidiaries, whose functional currency is the US dollar, to the Russian subsidiaries, which have the rouble as their functional currency. The depreciation of the Russian rouble against the US dollar

in 2020 led to exchange gains recognised in the income statements of non-Russian subsidiaries.

The loss on financial assets and liabilities amounted to US\$71 million and consisted primarily of losses on foreign currency swap contracts.

For the reporting period, the Group had an income tax expense of US\$437 million, compared with US\$537 million in 2019. The change reflects the decline in the operating results.

Cash flow, US\$ million

	2020	2019	Change	Change, %
Cash flows from operating activities before changes in working capital	1,593	2,057	(464)	(22.6)
Changes in working capital	335	373	(38)	(10.2)
Net cash flows from operating activities	1,928	2,430	(502)	(20.7)
Short-term deposits at banks, including interest	4	7	(3)	(42.9)
Purchases of property, plant and equipment and intangible assets	(647)	(762)	115	(15.1)
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs	11	44	(33)	(75.0)
Other investing activities	8	46	(38)	(82.6)
Net cash flows used in investing activities	(624)	(665)	41	(6.2)
Net cash flows used in financing activities	(1,107)	(1,415)	308	(21.8)
including dividends paid	(872)	(1,086)	214	(19.7)
Effect of foreign exchange rate changes on cash and cash equivalents	7	6	1	16.7
Net increase/(decrease) in cash and cash equivalents	204	356	(152)	(42.7)

Calculation of free cash flow, US\$ million

	2020	2019	Change	Change, %
EBITDA	2,212	2,601	(389)	(15.0)
EBITDA excluding non-cash items	2,203	2,615	(412)	(15.8)
Changes in working capital	335	373	(38)	(10.2)
Income tax accrued	(579)	(532)	(47)	8.8
Social and social infrastructure maintenance expenses	(31)	(26)	(5)	19.2
Net cash flows from operating activities	1,928	2,430	(502)	(20.7)
Interest and similar payments	(269)	(302)	33	(10.9)
Capital expenditures, including recorded in financing activities	(657)	(762)	105	(13.8)
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs	11	44	(33)	(75.0)
Other cash flows from investing activities	7	46	(39)	(84.8)
Free cash flow	1,020	1,456	(436)	(29.9)

For the definition of free cash flow, please refer to **page 253**.

In 2020, net cash flows from operating activities decreased by 20.7% year-on-year. Free cash flow for the period was US\$1,020 million.

CAPEX AND KEY PROJECTS

In 2020, EVRAZ’ capital expenditures fell to US\$657 million, compared with US\$762 million a year earlier. Capital expenditures (including those recognised in financing activities) for 2020 (in millions of US dollars) can be summarised as follows.

Capital expenditures in 2020

Development Projects	
Steel segment	
Tashtagol iron ore mine upgrade at EVRAZ ZSMK mining site	24
The project’s aim is to increase annual ore production at the Tashtakolsky deposit with a partial switch to sublevel caving using mobile equipment.	
Sobstvenno-Kachkanarsky deposit greenfield project	13
The project’s aim is to maintain production of raw ore.	
Rail and beam mill modernisation at EVRAZ NTMK	2
The project’s aim is to increase the production of beams and of sheet piles.	
Steel, North America segment	
Long rail mill at EVRAZ Pueblo	46
The project’s aim is to replace the existing rail facility and meet the needs of customers for long rail products.	
Electric arc furnace (EAF) repowering at EVRAZ Regina	14
The project’s aim is to increase prime coil and plate production at EVRAZ Regina and reduce electrode consumption.	
Coal segment	
Acquisition of equipment at Osinnikovskaya mine	14
Acquisition of equipment fully compliant with mining and geological conditions to provide the projected longwall load on a monthly basis.	
Access and development of reserves in the Uskovskaya mine’s seam no. 48	11
The project’s aim is to prepare the reserves in seam no. 48 for mining	
Acquisition of equipment at Alardinskaya mine	10
The project’s aim is to reduce the time required for transition from longwall to longwall and to increase annual production volumes to 3.2mt.	
Access and development of reserves in the Esaulskaya mine’s seam no. 29a	9
The project’s aim is to relocate mining operations from seam no. 26 to seam no. 29a	
Other development projects	56
Maintenance projects	
Steel segment	
Major overhaul of blast furnace no. 6 at EVRAZ NTMK	80
Technical re-equipment of the air heaters of blast furnace no. 2 at EVRAZ ZSMK	7
Other maintenance projects	371
Total	657

FINANCING AND LIQUIDITY

EVRAZ began 2020 with a total debt of US\$4,868 million.

Debt management has focused on capital markets maturities coming due in the first quarter of 2021. Specifically, in March 2020, EVRAZ signed a US\$750 million committed syndicated facility with a group of international banks with funds made available for one year after signing. Once utilised, this facility will be repayable in nine equal quarterly instalments, following a three-year grace period. As of 31 December 2020, the US\$750 million committed syndicated facility remained unutilised.

In the wake of uncertainties related to the COVID-19 pandemic, the Group decided to increase its cash safety cushion through additional borrowing. In March, EVRAZ utilised RUB5,000 million (c. US\$68 million as of 31 December 2020), under its committed credit facility with VTB. Later, in April, it drew another RUB15,000 million (c. US\$203 million as of 31 December 2020), under the uncommitted credit facility with this bank. Currency risk

exposure under the first credit facility of RUB5,000 million was hedged using cross-currency swaps.

In November, the Group repurchased, in a series of open market purchases, and cancelled US\$15 million of the outstanding principal of its US\$750 million 8.25% Notes due in 2021.

These actions, partially offset by scheduled repayments of bank loans and leases, led to an increase in total debt during 2020 by US\$115 million to US\$4,983 million, as of 31 December 2020.

During 2020, EVRAZ paid two interim dividends to its shareholders in the amount of US\$581 million (US\$0.40 per share) in March and US\$291 million (US\$0.20 per share) in October.

By the end of 2020 EVRAZ achieved a net debt reduction of US\$89 million to US\$3,356 million, compared with US\$3,445 million as of 31 December 2019. The ratio of net debt to last twelve months (LTM) EBITDA was 1.5 times as of 31 December 2020, compared

with 1.3 times as of 31 December 2019. Interest expense accrued on loans, bonds and notes amounted to US\$291 million during the period, flat compared with the amount of 2019, despite a higher total debt load, reflecting lower USD and RUB base rates since the second quarter 2020.

As of 31 December 2020, various bilateral facilities with a total outstanding principal of around US\$1,458 million contained financial maintenance covenants. Maintenance covenants under these facilities include two key ratios calculated using EVRAZ plc’s consolidated financials: a maximum of net leverage and a minimum of EBITDA interest cover. As of 31 December 2020, EVRAZ was in full compliance with its financial covenants.

As of 31 December 2020, cash amounted to US\$1,627 million and committed credit facilities to US\$937 million, allowing the Group to comfortably cover upcoming maturities. Short-term loans and the current portion of long-term loans amounted to US\$1,078 million.

REVIEW OF OPERATIONS BY SEGMENT

Operations by Segment, US\$ million

	Steel		Steel, North America		Coal		Other	
	2020	2019	2020	2019	2020	2019	2020	2019
Revenues	6,969	8,143	1,779	2,500	1,490	2,021	410	483
EBITDA	1,930	1,795	(28)	38	400	843	15	18
EBITDA margin	27.7%	22.0%	(1.6)%	1.5%	26.8%	41.7%	3.7%	3.7%
CAPEX	401	394	92	128	154	227	10	13

Steel segment

Sales review

Steel segment revenues by product

	2020		2019		Change, %
	US\$ million	% of total segment revenues	US\$ million	% of total segment revenues	
Steel products, external sales	6,079	87.2	6,637	81.5	(8.4)
Semi-finished products ¹	2,479	35.6	2,528	31.0	(1.9)
Construction products ²	2,013	28.9	2,166	26.6	(7.1)
Railway products ³	1,099	15.8	1,181	14.5	(6.9)
Flat-rolled products ⁴	146	2.1	386	4.7	(62.2)
Other steel products ⁵	342	4.9	377	4.6	(9.3)
Steel products, intersegment sales	37	0.5	168	2.1	(78.0)
Including sales to Steel, North America	26	0.4	154	1.9	(83.1)
Iron ore products	146	2.1	190	2.3	(23.2)
Vanadium products	349	5.0	648	8.0	(46.1)
Other revenues	358	5.1	499	6.1	(28.3)
Total	6,969	100.0	8,143	100.0	(14.4)

Sales volumes of Steel segment (thousand tonnes)

	2020	2019	Change	Change, %
Steel products, external sales	12,197	12,075	122	1.0
Semi-finished products	6,039	5,636	403	7.2
Construction products	3,944	3,800	144	3.8
Railway products	1,299	1,393	(94)	(6.7)
Flat-rolled products	267	622	(355)	(57.1)
Other steel products	647	624	23	3.7
Steel products, intersegment sales	67	318	(251)	(78.9)
Total steel products	12,264	12,393	(129)	(1.0)
Vanadium products (tonnes of pure vanadium)	18,696	19,334	(638)	(3.3)
Vanadium in slag	6,129	6,451	(322)	(5.0)
Vanadium in alloys and chemicals	12,534	12,883	(349)	(2.7)
Iron ore products	1,732	1,895	(163)	(8.6)
Sinter	-	759	(759)	(100.0)
Pellets	1,732	1,134	598	52.7
Other iron ore products	-	2	(2)	(100.0)

^{1.} Includes billets, slabs, pig iron, pipe blanks and other semi-finished products.

^{2.} Includes rebar, wire rods, wire, beams, channels and angles.

^{3.} Includes rails, wheels, tyres and other railway products.

^{4.} Includes commodity plate and other flat-rolled products.

^{5.} Includes rounds, grinding balls, mine uprights and strips.

Geographic breakdown of external steel product sales, US\$ million

	2020	2019	Change	Change, %
Russia	2,962	3,358	(396)	(11.8)
Asia	2,200	2,028	172	8.5
Europe	221	492	(271)	(55.0)
CIS	490	565	(75)	(13.4)
Africa, America and rest of the world	206	195	12	6.3
Total	6,079	6,638	(558)	(8.4)

In 2020, revenues from the Steel segment dropped by 14.4% to US\$6,969 million, compared with US\$8,143 million a year earlier. The segment's revenues were impacted by a sharp reduction in sales prices for vanadium products, as well as a slight fall in construction sales prices and lower flat-rolled sales volumes, along with lower sales volumes in the North America segment.

Revenues from external sales of semi-finished products decreased by 1.9% amid a decline of 9.1% in average prices, which was partly offset by a 7.2% increase in sales volumes. The increase was driven primarily by change in the product mix in favour of higher slab and billets sales to export destinations following a decrease in demand in Russia amid the COVID-19 pandemic.

Revenues from sales of construction products to third parties fell by 71%: a 10.9% decrease was attributed to a reduction in average prices, which was partly offset by a 3.8%

increase due to higher export sales volumes to Asia following a decrease in demand in Russia amid the COVID-19 pandemic.

Revenues from external sales of railway products fell due to a 6.7% decrease in volumes, which was coupled with sales price decline of 0.2%. A key driver of lower railway product sales volumes during the reporting period was lower demand for railway wheels on the Russian market, which was also attributable to the COVID-19 pandemic.

External revenues from flat-rolled products fell by 62.2%. A 57.1% decrease was attributed to a drop in sales volumes to Europe mainly due to disposal of EVRAZ Palini e Bertoli which took place in Q4 2019, and a 5.2% decrease due to lower sales prices.

The share of sales to the Russian market declined from 50.6% in 2019 to 48.7% in 2020, following increase of export sales to Asia.

Steel segment revenues from sales of iron ore products dropped by 23.2%. This was due to a 14.6% decrease in sales prices, as well as 8.6% reduction in sales volumes, primarily as a result of the absence of sinter sales to third parties, due to disposal of EvrazTransUkraine and greater requirements for own operations.

In 2020, around 63.2% of EVRAZ' iron ore consumption in steelmaking came from the Group's own operations, compared with 66.6% a year earlier.

Steel segment revenues from sales of vanadium products dropped by 46.0%, primarily due to a 42.7% downturn in sales prices in line with market trends. Ferrovandium prices dropped in line with the London Metal Bullefin and Ryan's Notes quotations, while vanadium slag prices fell along with vanadium pentoxide (V₂O₅) quotations.

Steel segment cost of revenues

Steel segment cost of revenues

	2020		2019		Change, %
	US\$ million	% of segment revenue	US\$ million	% of segment revenue	
Cost of revenues	4,596	65.9	5,836	71.7	(21.2)
Raw materials	2,025	29.1	2,577	31.6	(21.4)
Iron ore	503	7.2	540	6.6	(6.9)
Coking coal	769	11.0	1,082	13.3	(28.9)
Scrap	442	6.3	542	6.7	(18.5)
Other raw materials	311	4.5	413	5.0	(24.7)
Auxiliary materials	339	4.9	366	4.5	(7.4)
Services	241	3.5	277	3.4	(13.0)
Transportation	407	5.8	457	5.6	(10.9)
Staff costs	477	6.8	501	6.2	(4.8)
Depreciation	233	3.3	227	2.8	2.6
Energy	398	5.7	439	5.4	(9.3)
Other ¹	476	6.8	992	12.2	(52.0)

^{1.} Includes goods for resale, changes in work in progress and finished goods, taxes in cost of revenues, semi-finished products, allowance for inventory and inter-segment unrealised profit.

In 2020, the Steel segment’s cost of revenues decreased by 21.2% year-on-year. The main reasons for the increase were:

- The cost of raw materials declined by 21.4%, mainly due to lower costs of coking coal (down 28.9%), due to the trend on global markets, as well as reduced use of more expensive coal concentrate, which was replaced with a cheaper form from Esaulskaya mine. Scrap costs declined by 18.5%, due to lower scrap price and lower share of scrap in metal-charge amid increased pig iron consumption. The decrease in raw material costs was also accompanied by a weaker rouble and reduced consumption due to cost-cutting initiatives.

- Costs for auxiliary materials declined by 7.4%, amid lower consumption of auxiliary materials and auxiliary materials prices.
- Service costs declined by 13.0%, primarily driven by the lower cost and volume of ferrovanadium processing, whose costs are linked to final product quotes.
- Transportation costs declined by 10.9%, primarily due to lower shipment volumes due to the COVID-19 pandemic, national lockdowns, the global economic shock and a sharp decline in economic growth rates.
- Energy costs were lower due to the weaker rouble, as well as higher own electricity generation and change in fuel structure.

- Other costs were down by 52.0%, mainly due to the lower cost of goods for resale, amid a drop in vanadium purchase prices in 2020, compared to 2019. Other reasons were related to a reduction in the purchase price of goods, higher sales of own production scrap, and significant increases of semi- and vanadium stocks due to COVID-19.

Steel segment gross profit

The Steel segment’s gross profit increased by 2.9% year-on-year, as positive effects of lower cost outweighed the decrease in sales volumes and prices.

Steel, North America segment

Sales review

Steel, North America segment revenues by product

	2020		2019		Change, %
	US\$ million	of total segment revenue	US\$ million	of total segment revenue	
Steel products	1,679	94.4	2,372	94.8	(29.2)
Semi-finished products	109	6.1	121	4.8	(9.9)
Construction products ¹	183	10.3	200	8.0	(8.5)
Railway products ²	326	18.3	405	16.2	(19.5)
Flat-rolled products ³	323	18.2	518	20.7	(37.6)
Tubular products ⁴	743	41.8	1,128	45.1	(34.1)
Other revenues ⁵	95	5.6	128	5.1	(21.9)
Total	1,779	100.0	2,500	100.0	(28.8)

Sales volumes of steel products at Steel, North America segment (thousand tonnes)

	2020	2019	Change	Change, %
Semi-finished products	144	192	(48)	(25.0)
Construction products	262	256	6	2.3
Railway products	404	441	(37)	(8.4)
Flat-rolled products	382	523	(141)	(27.0)
Tubular and other steel products	537	795	(256)	(32.3)
Total	1,729	2,207	(476)	(21.5)

^{1.} Includes beams, rebar and structural tubing.
^{2.} Includes rails and wheels.
^{3.} Includes commodity plate, specialty plate and other flat-rolled products.
^{4.} Includes large-diameter line pipes, ERW pipes and casing, seamless pipes, casing and tubing and other products.
^{5.} Includes scrap and services.
^{6.} Primarily includes transportation, goods for resale, certain taxes, changes in work in progress and fixed goods, and allowances for inventories.

The segment’s revenues from the sale of steel products dropped, due to a decrease of 21.7% in volumes, as well as a decrease of 7.5% in prices. This was mainly attributable to lower demand on the tubular and flat-rolled market.

Revenues from the sale of semi-finished products decreased by 9.9%, due to a decline in sales volumes of 25.0%, following the fulfilment of a contract with a key customer, albeit partly offset by an increase in prices of 15.1%.

Construction product revenues fell by 8.5%, due to a 10.8% reduction in prices, partly offset by a 2.3% increase in sales volumes as a result of improved market conditions.

Railway product revenues fell by 19.5%, driven by a decline in prices of 12.1%, along with lower sales volumes by 8.4%, due to reduced demand driven by the COVID-19 pandemic.

Revenues from flat-rolled products decreased due to declines of 10.6%

in prices and of 27.0% in sales volumes, as a result of weakening market demand amid the COVID-19 pandemic.

Revenues from tubular product sales fell by 34.1% year-on-year, due to a drop of 32.5% in volumes. This was driven by turbulence on the oil and gas markets, which led to falling demand, resulting in the idling of the OCTG mills in Canada and the US.

Steel, North America segment cost of revenues

Steel, North America segment cost of revenues

	2020		2019		Change, %
	US\$ million	% of segment revenue	US\$ million	% of segment revenue	
Cost of revenues	1,604	90.1	2,204	88.1	(27.2)
Raw materials	454	25.5	686	27.4	(33.8)
Semi-finished products	238	13.4	396	15.8	(39.9)
Auxiliary materials	172	9.7	222	8.9	(22.5)
Services	145	8.2	190	7.6	(23.7)
Staff costs	240	13.5	319	12.8	(24.8)
Depreciation	100	5.6	109	4.4	(8.3)
Energy	90	5.1	117	4.7	(23.1)
Other ⁶	165	9.3	165	6.6	-

In 2020, the Steel, North America segment’s cost of revenues dropped significantly year-on-year driven by declined sales volumes. The main changes related to:

- Raw material costs fell by 33.8%, primarily because of lower production volumes and lower cost of scrap.
- The cost of semi-finished products was down 39.9%, due to the reduction of consumption at Portland Flat.
- Auxiliary material costs fell by 7.6%, driven by lower production levels at Pueblo and in Canada.

- Service costs went down by 23.7%, driven primarily by lower production volumes and mill idling.
- Staff costs decreased by 24.8%, mostly driven by the idling of OCTG mills in Canada and the US, an overall decrease in production levels for other products and a rotating furlough schedule for salaried employees.
- Energy costs fell by 23.1%, primarily due to reduced production levels and lower natural gas prices.
- Other costs remained broadly flat year-on-year.

Steel, North America segment gross profit

The Steel, North America segment’s gross profit totalled US\$175 million for 2020, down from US\$296 million a year earlier. The decline was driven primarily by lower sales volumes for flat-rolled and OCTG, due to worsening market conditions, which was partly offset by lower prices for raw materials, purchased semi-finished products, staff costs, auxiliary materials and services.

Coal segment

Sales review

Coal segment revenues by product

	2020		2019		
	US\$ million	% of total segment revenue	US\$ million	% of total segment revenue	Change, %
External sales					
Coal products	929	62.4	1,251	61.9	(25.7)
Coking coal	74	4.9	148	7.3	(50.0)
Coal concentrate	853	57.3	1,103	54.6	(22.7)
Steam coal	2	0.2	-	-	100.0
Intersegment sales					
Coal products	536	35.9	730	36.1	(26.6)
Coking coal	101	6.8	124	6.1	(18.5)
Coal concentrate	435	29.2	606	30.1	(28.2)
Other revenues	25	1.7	40	2.0	(37.5)
Total	1,490	100.0	2,021	100.0	(26.3)

Sales volumes of Coal segment (thousand tonnes)

	2020	2019	Change	Change, %
External sales				
Coal products	12,336	11,053	1,283	11.6
Coking coal	2,233	1,928	305	15.8
Steam coal	37	1	36	n/a
Coal concentrate and other products	10,066	9,124	941	10.3
Intersegment sales				
Coal products	6,986	6,569	417	6.3
Coking coal	2,323	2,044	279	13.6
Coal concentrate	4,663	4,525	138	3.3
Total, coal products	19,322	17,622	1,700	9.6

Revenues from external sales of coal products fell, amid a 37.3% reduction in prices, partly offset by an 11.6% increase in sales volumes. Coking coal revenues fell by 50.0% and coking coal concentrate revenues dropped by 22.7% amid lower pricing, but were offset in part by higher sales volumes. These were driven by strong demand for coal on the Russian market, as well as growth in demand for coal from China. Long-term partnerships with Japanese, Korean

and European clients have minimised the impact of declining demand on these markets.

Revenues from internal sales of coal products were down 26.8%, mainly due to a 33.1% reduction in sales prices, which was partly offset by a 6.3% uptick in volumes. Coking coal volumes rose by 22.4%, due to increased sales of K and KS grades.

In 2020, the Coal segment's sales to the Steel segment amounted to US\$537 million (36.0% of total sales), compared with US\$730 million (36.1%) in 2019.

During the reporting period, roughly 78.0% of EVRAZ' coking coal consumption in steelmaking came from the Group's own operations, compared with 74.1% in 2019.

Coal segment cost of revenues

Coal segment cost of revenues

	2020		2019		Change, %
	US\$ million	% of segment revenue	US\$ million	% of segment revenue	
Cost of revenues	1,027	68.9	1,046	51.8	(1.8)
Auxiliary materials	110	7.4	159	7.9	(30.8)
Services	53	3.5	97	4.8	(45.4)
Transportation	294	19.7	351	17.4	(16.2)
Staff costs	200	13.4	223	11.0	(10.3)
Depreciation	163	10.9	171	8.5	(4.7)
Energy	43	2.9	51	2.5	(15.7)
Other ¹	164	11.0	(6)	(0.3)	100.0

The main drivers of the year-on-year increase in the Coal segment's cost of revenues were as follows:

- The consumption of auxiliary materials decreased by 30.8% due mainly to lower volumes of preparation at third-party plants, the idling of production at the Raspadsky open pit in Q2-Q3 2020, and a decrease in the production volumes at Raspadskaya mine.
- Costs for services dropped by 45.4%, due mainly to lower volumes of preparation at third-party plants, the idling of production at the Raspadsky open

pit in Q2-Q3 2020, and a decrease in production volumes at Raspadskaya mine.

- Transportation costs fell by 16.2% during the reporting period, primarily due to the idling of production at the Raspadsky open pit mine in Q2-Q3 2020, the use of in-house transportation equipment instead of third-party contractor equipment, lower volumes shipped.
- Staff costs fell by 10.3% because of lower mining volumes as well as rouble depreciation.
- Other costs increased during the reporting period, mainly due to higher sales

of accumulated stock, partially offset by higher work-in-progress, and the lower cost of goods for resale and lower mineral extraction tax payments, due to reduced production levels.

Coal segment gross profit

In 2020, the Coal segment's gross profit was US\$464 million, down from US\$975 million a year earlier, primarily due to lower sales prices.

Nikolay Ivanov
Chief Financial Officer

¹ Primarily includes goods for resale, certain taxes, changes in work in progress and finished goods, allowance for inventory, raw materials and inter-segment unrealised profit.

BUSINESS REVIEW

EVRAZ' STEEL ACROSS THE GLOBE

RUSSIA

- 1. Amur Gas Processing Plant Amur region
- 2. Arctic LNG 2 project Yamalo-Nenets region, Murmansk region
- 3. Taishet Aluminium Smelter Krasnoyarsk
- 4. Skolkovo Technopark Moscow
- 5. Zolotoi transport hub Yekaterinburg

- 6. Kemerovo Airport Kemerovo region
- 7. Krasnodar Airport Krasnodar region
- 8. Udokan Metals and Mining Plant Zabaikal region
- 9. Kola Shipyard Murmansk region
- 10. Radioactive material processing facility at Leningrad Nuclear Plant Leningrad region
- 11. Large Circle Line and Lyublinsko-Dmitrovskaya line of the Moscow underground Moscow
- 12. Rubbish incineration facilities Moscow region
- 13. Launchpad 1A at Angara Cosmodrome Amur region
- 14. Yubileyny underground mine Bashkortostan
- 15. Nasedkino Mining and Processing Plant Irkutsk
- 16. Western quay with fuel terminal at Geoport in Novorossiysk Krasnodar
- 17. Russian Post logistics centre for Samara region Samara
- 18. New terminal at Novosibirsk Airport Novosibirsk region

- 19. Moscow City (15 plots) Moscow
- 20. Omsk Oil Refinery Omsk
- 21. Zvezda Shipyard Bolshoi Kamen, Primorye region
- 22. Surgutneftegaz Khanty-Mansiisk region
- 23. Reservoirs nos. 5 and 6 at Obsk LNG Yamal peninsula
- 24. Electricity pylons for Transneft Chelyabinsk region
- 25. Electricity connection for infrastructure at Rosneft's Erginsk deposits Khanty-Mansiisk region
- 26. Power of Siberia gas pipeline Siberia
- 27. Avangard Ice Arena Omsk
- 28. Water Sports Centre Yekaterinburg
- 29. UGMK Ice Arena Yekaterinburg
- 30. Severnaya Verf Shipyard St Petersburg
- 31. PhosAgro Murmansk region
- 32. NOVATEK Leningrad region

- 33. Lakta Centre St Petersburg
- 34. Blast furnace no.3 at Severstal Cherepovets
- 35. Salmanovskoye deposit Yamalo-Nenets region
- 36. Ethylene plant at Nizhnekamskneftekhim Tatarstan
- 37. GRINN shopping and entertainment centre Bryansk
- 38. Pipe section plant at NOVATEK's Heavy Sea Equipment Construction Centre Murmansk region
- 39. M500 methanol unit at Shchyokino Azot Tula region
- 40. Overhead steam pipe at Tatneft Tatarstan
- 41. Nitric acid and ammonia nitrate complex at Shchyokino Azot Tula region
- 42. Field hockey stadium Kemerovo
- 43. Sulphuric acid neutralisation unit at the Kolesnikov Nadezhdinsk Metals Plant Krasnoyarsk region
- 44. Noise reduction screens for the Central Ring Road Moscow

- 45. Udarnaya Thermal Power Plant in Taman Krasnoyarsk region
- 46. Facilities for Arctic LNG 2 project (onshore) Yamalo-Nenets region
- 47. Afipsky Oil Refinery Krasnoyarsk region
- 48. Nezhdaninskoye gold deposit Yakutiya
- 49. Meat processing plant for Agroeco Voronezh region
- 50. Oil extraction plant Kurskaya region
- 51. School Magadan
- 52. Kubazz Arena stadium Kemerovo
- 53. Chess centre Khanty-Mansiisk
- 54. Cardboard production plant Irkutsk region
- 55. Haier plant Tatarstan
- 56. Ust-Luga port terminal (Ultramar) Leningrad region
- 57. Sambo and boxing school Moscow
- 58. Associated gas processing facility Lipetsk region
- 59. Makfa logistics centre Chelyabinsk

NORTH AMERICA

- 60. Mexico City Metro Line 12 extension (Sistema de Transporte Colectivo) Mexico City, Mexico
- 61. Metro Gold Line Foothill Extension Los Angeles, California, USA
- 62. Palo Alto II wind farm (MidAmerican Energy) Cylinder, Iowa, USA

- 63. Trans Mountain pipeline Alberta/British Columbia, Canada
- 64. Costal GasLink pipeline British Columbia, Canada
- 65. Alberta Carbon Trunk Line Alberta, Canada
- 66. Interoceanic Railway of Mexico (Ferrocarril Interoceanico de Mexico) Mexico
- 67. Sound Transit Federal Way Link Extension Seattle, Washington, USA
- 68. Central 70 Denver, Colorado, USA
- 69. Southern Hills wind farm (MidAmerican Energy) Creston, Iowa, USA
- 70. Sagamore Wind Project (Xcel Energy) Rogers, Minnesota, USA
- 71. North Fork Ridge wind farm (Algonquin Power & Utilities Company) Liberal, Missouri, USA

SOUTH AMERICA

- 72. RUMO: track maintenance between the ports of Santos, Paranaguá, São Francisco do Sul and Rio Grande Brazil
- 73. Peru Copper Mine Ilo, Peru

AFRICA

- 74. Egyptian National Railways maintenance Egypt
- 75. Greater Cairo Metro Line 3 Egypt

CIS

- 76. 200-unit in-patient treatment facility for the presidential administration medical centre Nur-Sultan, Kazakhstan
- 77. National Centre for Oncology Research Nur-Sultan, Kazakhstan
- 78. Almalyk Metals and Mining Plant Almalyk, Uzbekistan

- 79. Specialist infection hospital (for COVID-19 cases) Pavlodar, Kazakhstan
- 80. Residential buildings in the Saryarka and Dostyk districts Pavlodar, Kazakhstan

- 81. Rixos Turkestan hotel (by MunaiKurylyshServis) Turkestan, Kazakhstan
- 82. 7,000-seat stadium (by U-Con Three) Turkestan, Kazakhstan
- 83. New airport (by Vlasta-Servis) Shymkent, Kazakhstan
- 84. Dramatics theatre Turkestan, Kazakhstan
- 85. Glass factory (by KasAlPack) Shymkent, Kazakhstan
- 86. Constitutional Council building Nur-Sultan, Kazakhstan
- 87. Hematology centre Ust-Kamenogorsk, Kazakhstan
- 88. Uly-Dala Museum Turkestan, Kazakhstan
- 89. Media centre (by U-Con Three) Turkestan, Kazakhstan

ASIA

- 99. Kolkata Metro (RVNL) India
- 100. Taipei Metro Taiwan
- 101. Kuala Lumpur Light Rail Transit line 3 Malaysia

- 102. Tavan Tolgoi - Zuunbayan rail link (415 kilometres) Mongolia
- 103. Oil refinery in Altanshiree, Dornogovoi province Mongolia
- 104. Genghis Khan museum in Ulaanbaatar Mongolia
- 105. Namviet: Vietnam Railways Maintenance Vietnam
- 106. Sanying Line, New Taipei Metro Taiwan

- 90. Mosque Nur-Sultan, Kazakhstan
- 91. Hampton by Hilton hotel Turkestan, Kazakhstan
- 92. Chipboard and hardboard plant Mogilyov Region, Belarus
- 93. Tashkent City district (residential buildings, business centre, retail and entertainment centre) Tashkent, Uzbekistan
- 94. Oil extraction plant Tashkent, Uzbekistan
- 95. Airport Kerki, Turkmenistan
- 96. Logistics centre Fanipol, Belarus
- 97. Tyre centre Kazakhstan
- 98. Thermal power plant reconstruction Nur-Sultan, Kazakhstan

STEEL SEGMENT

EVRAZ is No. 1 among rail suppliers and the leader in the construction steel market in Russia. The Steel segment’s primary focus is producing steel in the CIS from closely located raw materials to serve the domestic infrastructure and construction market while maintaining export flexibility.

- Iron ore
- Iron ore products
- Slabs, billets
- Construction products
- Railway products
- Vanadium products

Our goals

- Be a leader on the Russian construction steel market.
- Secure a leadership position on the Russian rail market.
- Be an efficient producer of steel products for infrastructure projects.

Production highlights

Crude steel	Iron ore products	Steel products	Vanadium slag
12,050 kt	14,205 kt	11,018 kt	19,533 kt

Sales highlights¹

Finished products	Iron ore products	Semi-finished products	Vanadium final products
6,158 kt	1,732 kt	6,039 kt	12,534 kt

Financial highlights

Revenues	EBITDA	EBITDA margin	CAPEX
US\$ 6,969 million	US\$ 1,930 million	27.7 %	US\$ 401 million

^{1.} Sales to third parties only.

KEY ASSETS

Mining operations

EVRAZ KGOK

EVRAZ KGOK is one of the Group’s core mining companies in Russia. Located in Sverdlovsk region, 140 kilometres from EVRAZ NTMK, EVRAZ KGOK mines titanomagnetite iron ore with vanadium content at the Gusevogorskoe deposit. The vanadium content makes it possible to produce high-strength grades of alloy steel. EVRAZ NTMK is a primary consumer of EVRAZ KGOK’s products. At the moment, EVRAZ KGOK uses three open pits to produce ore, which is then processed by its crushing, processing, sintering and pelletising plants. The final product, in the form of sinter and pellets, is loaded into railway cars and shipped to consumers, including those abroad.

EMPLOYEES:

5,948 people

CAPACITY

60 million tonnes of ore per year

PROVEN AND PROBABLE RESERVES:

9,734 million tonnes

EVRAZ ZSMK (mining operations)¹

EVRAZ ZSMK’s mining operations include several mining and processing facilities in Kemerovo region. It uses an underground mining process and most of the iron ore that it produces is consumed internally by its steelmaking operations. The mining complex includes the Tashtagol mine, the Gorno-Shorskaya mine, the Kazskaya mine, the Gurievsky open pit for limestone, as well as the Abagaturskaya Concentration and Sinter Plant.

EMPLOYEES:

4,464 people

CAPACITY

9 million tonnes of ore per year

PROVEN AND PROBABLE RESERVES:

141 million tonnes

^{1.} Former Evrazruda



Steelmaking operations

EVRAZ ZSMK (Russia)

EVRAZ ZSMK has five coke oven batteries and three blast furnaces in operation. For steelmaking, it has two oxygen converter shops, which consist of five basic oxygen furnaces. It also has an electric arc furnace. EVRAZ ZSMK operates one eight-strand continuous casting machine, which produces square billets, a two-strand continuous slab casting machine, and one four-strand continuous casting machine, which makes semi-finished products for the rail mill. Rolling facilities include a blooming mill, one medium-section 450 mill, two small-section 250 mills, one rail and structural steel mill, one sectional mill and two ball-rolling mills.

The EVRAZ ZSMK steel mill has its own coal washing plant for coking coal. It can also produce customised coking coal blends if necessary.

EMPLOYEES:

18,067
people

CAPACITY

6.2
million tonnes
of pig iron
per year

7.7
million tonnes
of crude steel
per year

EVRAZ NTMK (Russia)

EVRAZ NTMK has coke and chemical production facilities, two blast furnaces, steelmaking facilities (one oxygen converter shop consisting of four LD converters), four continuous casters, seven rolling mills, as well as a power and heat generation plant.

EMPLOYEES:

13,359
people

CAPACITY

4.9
million tonnes
of pig iron
per year

4.4
million tonnes
of crude steel
per year

EVRAZ Caspian Steel (Kazakhstan)

EVRAZ Caspian Steel has a light-section rolling mill.

EMPLOYEES:

202
people

CAPACITY

450
thousand tonnes
of rebars per year



Vanadium operations

EVRAZ Vanady Tula (Russia)

EVRAZ Vanady Tula is the largest European producer of vanadium pentoxide, ferrovanadium-50 and ferrovanadium-80, which are alloy additions used to manufacture extra high strength steel for various applications and titanium alloys. The site's production and scientific resources make it possible to process any vanadium-containing materials and produce a wide range of products.

Its production facilities are in Tula, in the Tula region of Russia. EVRAZ Vanady Tula uses low-cost, highly efficient technology to process the vanadium slag produced by EVRAZ NTMK.

EMPLOYEES:

610
people

EVRAZ Nikom (Czech Republic)

EVRAZ Nikom produces ferroalloys and corundum material. It converts the vanadium oxide produced by EVRAZ Vanady Tula into ferrovanadium, the major vanadium product used by the steel industry to increase strength and hardness.

EMPLOYEES:

64
people

Trading companies

Trading Company EvrazHolding

Trading Company EvrazHolding is the largest Russian supplier of rolled steel and sells EVRAZ products in Russia and the CIS. It focuses on products for use in construction and engineering, rolled products for the transportation segment (rails, wheels and specialist products), as well as products for the mining and pipemaking sectors.

EMPLOYEES:

138
people

EVRAZ East Metals

East Metals AG is a Swiss-based EVRAZ trading company, which is a sole distribution channel outside the CIS. Its main exports include semi-finished steel products (slab and square billet), long finished products (rail, beam, wire rod and rebar), pig iron, coking coal, vanadium products and iron ore pellets. A wide network of agencies and representative offices (including those in China, Hong Kong, Indonesia, Japan, the Philippines, South Korea, Taiwan, Thailand, Turkey, etc) ensures proximity to clients in key markets.

EMPLOYEES:

79
people

EVRAZ Metall Inprom

EVRAZ Metall Inprom is a leading Russian steel provider for infrastructure projects and trader supplying rebar, profile, flat, tubular and rolled section steel manufactured by major plants in the CIS. The company's major presence in various regions of Russia is supported by a branch network that includes 48 subdivisions, and EVRAZ Metall Inprom's branches are advantageously located in the industrial centres of the central, south and north-west of Russia, in Chernozyemye, Povolzhye, Siberia, the Urals and Russia's Far East, as well as in Kazakhstan. Each subdivision's product range is shaped subject to local demand. Also, a park of 120 metal processing machines allows us to satisfy the needs of those customers who needs a HVA products.

EMPLOYEES:

1,452
people

COAL SEGMENT

EVRAZ ranks first among Russian coking coal producers. The Group offers integrated solutions to optimise the coal blend to a global clientele and prides itself on being a reliable supplier. Coal and concentrate products are used by EVRAZ steelmaking divisions, as well as by third-party domestic customers and export clients in Asia and Europe.

The product portfolio comprises a wide range of coking coal blends, including hard, semi-hard and semi-soft.

- Raw coking coal
- Coking coal concentrate



Our goals

- Work safely and ensure growth by using innovative technology and methods.
- Achieve 100% self-sufficiency in all coal grades and expand the product portfolio in insufficient grades.
- Maintain cash costs in the first quartile of the cost curve.

Production highlights

Raw coking coal	Coking coal concentrate
20,653 kt	13,598 kt

Sales highlights¹

Raw coking coal	Coking coal concentrate
2,271 kt	10,065 kt

^{1.} Sales to third parties only.

Financial highlights

Revenues	EBITDA	EBITDA margin	CAPEX
US\$ 1,490 million	US\$ 400 million	26.8%	US\$ 154 million



KEY ASSETS

Mining and coal washing operations

Raspadskaya

EVRAZ completed the consolidation of its coal businesses under Raspadskaya on 30 December 2020.

Mezhdurechensk site (Russia)

Raspadskaya has two operational underground coking coal mines and two open-pits in Mezhdurechensk, the Kemerovo region. This complex includes the Raspadskaya mine, Russia's largest. The operations produce hard coking coal (K and OS grades), semi-hard coking coal (GZh grade) and semi-soft coking coal (GZhO grade).

Raspadskaya's coal washing plant is one of the most modern in Russia. It enjoys low maintenance costs and is designed to process high volumes with a small staff.

Novokuznetsk site (Russia)

Raspadskaya has five coking coal mines in Novokuznetsk, the Kemerovo region. They produce hard and semi-hard coking coal (Zh, GZh and KS grades), which is processed into high-quality concentrate (classified as HCC grade internationally). Most of this is produced in the Yerunakovskaya-8 mine.

At Novokuznetsk site Raspadskaya has two coal washing plants, which produce customised coking coal blends and pulverised coal injection (PCI) coal. The Kuznetskaya washing plant produces high-quality HCC concentrate for domestic market. The Abashevskaya washing plant produces a wide variety of products whose quality matches specific customers' needs.

Mezhegey

It was decided to stop production at the Mezhegey mine from the beginning of 2020 with the conservation of the mine until demand and market prices recover.

EMPLOYEES:

15,578
people

CAPACITY

26
million tonnes
of raw coal
per year

PROVEN AND PROBABLE RESERVES:

1,896
million tonnes



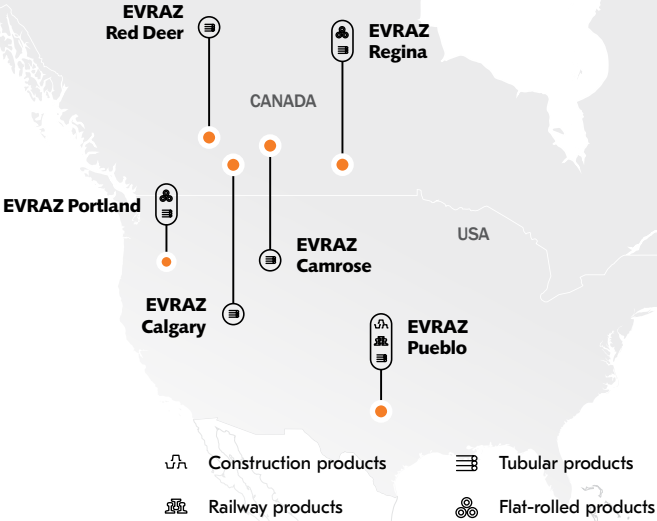
STEEL, NORTH AMERICA SEGMENT

EVRAZ is a leading North American producer of high-quality, engineered steel for rail, energy and industrial end user markets, with a focus on manufacturing products with unmatched quality for the Group's customers. The segment is the largest producer of rail and large-diameter pipe (LDP) in North America.

EVRAZ also holds leading positions in Western Canada's oil country tubular goods (OCTG) and small-diameter line pipe (SDP) markets, as well as in the US West Coast plate market.

The Steel, North America segment has three business units organised by geographic locations: Canada, Pueblo and Portland. Each of the new business units has product portfolios based on product mix at operating facilities.

Each of EVRAZ North America's business units are structured to strengthen the focus on safety, quality and operational excellence across the Steel, North America segment.



Our goals

- Grow leadership position in North American energy pipe market.
- Maintain leading position in the Western region plate market.
- Expand leading position in the rail market.

Production highlights

Crude steel
1,580 kt

Steel products
1,668 kt

Sales highlights¹

Steel products
1,729 kt

Financial highlights

Revenues
US\$ **1,779** million

EBITDA
US\$ **(28)** million

EBITDA margin
(1.6)%

CAPEX
US\$ **92** million

¹. Sales to third parties only.

KEY ASSETS

Canada - Steelmaking and rolling

EVRAZ Regina

EVRAZ Regina in Saskatchewan is the largest steelmaking operation in Western Canada. It comprises two electric arc furnaces (EAFs), a ladle furnace, a continuous variable-width slab caster, as well as a Steckel mill capable of rolling coil and plate with a width of up to 72 inches. EVRAZ Regina Steel produces carbon steel slabs, flat-rolled discrete plate and coiled plate. EVRAZ Regina's tubular operations are comprised of a 24-inch ERW line pipe mill, a 2-inch ERW pipe mill (OCTG tubing welding), five Helical Submerged Arc-Welded (HSAW) mills, and ID/OD coating facility, producing large-diameter pipe for oil, natural gas, and LNG transmission. EVRAZ Regina's tubular mills are important suppliers to the North American energy markets, serving leading energy producers and midstream operators in both Canada and the US.

EMPLOYEES:
1,072
people

CAPACITY
1.1
million tonnes
of crude steel
per year

EVRAZ Calgary

EVRAZ Calgary comprises an Electric Resistance Welded (ERW) pipe mill as well as heat treat, API threading, and finishing lines for OCTG casing with an outside diameter of up to 9 5/8 inches. The site also operates ERW tubing finishing facilities comprising pipe upsetting, threading, testing and inspection. EVRAZ Calgary's products are primarily used in the exploration and production of oil and gas in Canada and the US.

EMPLOYEES:
243
people

CAPACITY
186
thousand tonnes
of tubular
products

EVRAZ Camrose

EVRAZ Camrose operates an ERW pipe mill and finishing line, capable of producing small-diameter line pipe and carbon OCTG casing with an outside diameter of up to 16 inches. Camrose products are primarily used in the drilling, transmission and distribution of oil and natural gas as well as in the transmission of other substances such as carbon dioxide.

EMPLOYEES:
91
people

CAPACITY
118
thousand tonnes
of tubular
products



EVRAZ Edmonton

Coupling Machining

EVRAZ Edmonton Coupling Machining specialises in manufacturing API couplings with an outside diameter of up to 9 5/8 inches. Couplings produced at ECM are supplied to EVRAZ’s Calgary and Red Deer OCTG casing and tubing operations.

EMPLOYEES:
16
people

CAPACITY:
1.5
million
couplings per
year

EVRAZ Red Deer

EVRAZ Red Deer comprises an ERW pipe mill producing OCTG casing and small-diameter line pipe with an outside diameter of up to 13 3/8 inches. The site includes a casing heat treat line, API and premium threading lines, as well as separate OCTG casing and SDP finishing lines.

EMPLOYEES:
178
people

CAPACITY
167
thousand
tonnes
of tubular
products

US - Steelmaking and rolling

EVRAZ Portland

EVRAZ Portland in Oregon comprises a Steckel rolling mill, a plate quench and tempering facility, and two HSAW pipe mills. The Portland rolling mill is the only plate mill on the West Coast and has deep-water access to the Pacific Ocean as well as access to Class I railways and trucking routes serving North America. Finished products include hot-rolled carbon and alloy steel plate, hot-rolled coil, heat-treated plate, shot-blasted and primed plate, temper-passed cut-to-length plate and plate coil. The Portland HSAW mills produce large-diameter API grade pipe for oil and gas transmission and structural applications.

EMPLOYEES:
302
people

CAPACITY
204
thousand tonnes
of tubular products
per year



EVRAZ Pueblo

EVRAZ Pueblo in Colorado comprises three rolling mills: a rail mill; a seamless pipe mill that produces OCTG products for use in oil and gas exploration; and a wire rod and coiled reinforcing bar mill. EVRAZ also operates one EAF and a billet caster that supplies round billets to the hot rolling mills. In addition, EVRAZ Pueblo owns and operates the Colorado and Wyoming railway, a short-line route that serves the Group’s mills and connects the site to both the Burlington Northern Santa Fe and the Union Pacific railway lines, which results in minimal delivery costs to these customers.

EMPLOYEES:
1,022
people

CAPACITY
1.0
thousand
tonnes
of crude steel
per year

In June 2020, the EVRAZ board of directors approved execution of a capital project to construct a universal long rail mill at the Pueblo site. This project will modernise Pueblo’s rail making capability and enable the manufacture and welding of 100m rails.

Recycling

EVRAZ Recycling

EVRAZ Recycling is the largest metal scrap recycler in Western Canada with 13 facilities across the prairies, as well as three facilities in the US, of which one is in North Dakota and two are in Colorado. EVRAZ Recycling buys, processes and sells a wide range of ferrous and non-ferrous materials, while also offering a variety of metal recycling and other services, including auto wrecking yards that provide a great selection of low-cost parts on a self-serve basis.

EMPLOYEES:
265
people



CORPORATE SOCIAL RESPONSIBILITY

HEALTH, SAFETY, AND ENVIRONMENT

2020 highlights

The Group's LTIFR was	Employees received Risk Management Project training
1.58	40,000

Approach to HSE management Governance

Environmental safety and protecting the health and safety of employees and contractors have always been priorities at EVRAZ. The Group is committed to enhancing its health, safety, and environment (HSE) management system and endeavours to provide its employees and contractors with safe working conditions at all its assets, while also protecting local environments.

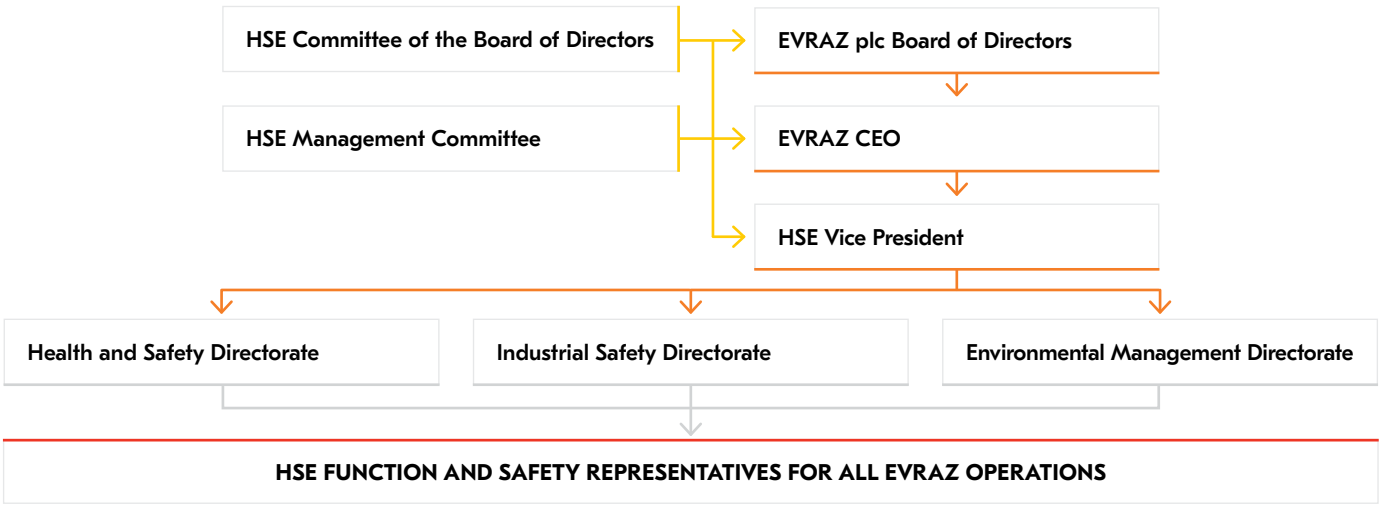
Health, occupational, and environmental safety considerations are at the core of EVRAZ' operations. The Group has adopted a four-phase HSE management system that covers all levels of the business, from development strategies to daily operational issues.

The Group understands the importance of having strong leaders and strives to involve executives and managers in HSE management processes. In 2010, the HSE Committee at the Board of Directors level was created in order to improve the HSE strategy and to analyse the impact of HSE measures on the Group. In 2018, the EVRAZ HSE Management Committee was established to boost the level of engagement level of management and enhance the safety culture within the Group. This strategic body, which consists of the EVRAZ CEO and vice presidents, is authorised to set HSE goals, approve relevant annual KPIs and take other measures.

While the HSE Committee deals with HSE issues at the executive level, each EVRAZ facility has its own HSE unit subordinated to a local management team, with the vice president supervising the overall workstream.

EVRAZ closely adheres to the guidance of the World Steel Association's Environmental Policy (EPCO) and the Technology Policy (TPCO) and works actively with Safety and Health (SHCO) committees, as well as the HSE committees of Russian Steel (a Russia-based, non-commercial partnership) and the Russian Union of Industrialists and Entrepreneurs.

EVRAZ HSE management structure



HSE system

The fundamental purpose of the HSE management system is to ensure the safety and health of employees by identifying potential hazards in workplaces and facilities and to find and evaluate sources of potential environmental pollution and prepare mitigation measures.

The primary HSE document is the EVRAZ HSE Policy, which was implemented in 2011 across the Group and amended in 2018. The policy sets out basic HSE principles, identifies the health and safety of employees as a priority, determines expectations for employees and sets out EVRAZ' commitment to implementing leading environmental management practices as part of sustainability efforts.

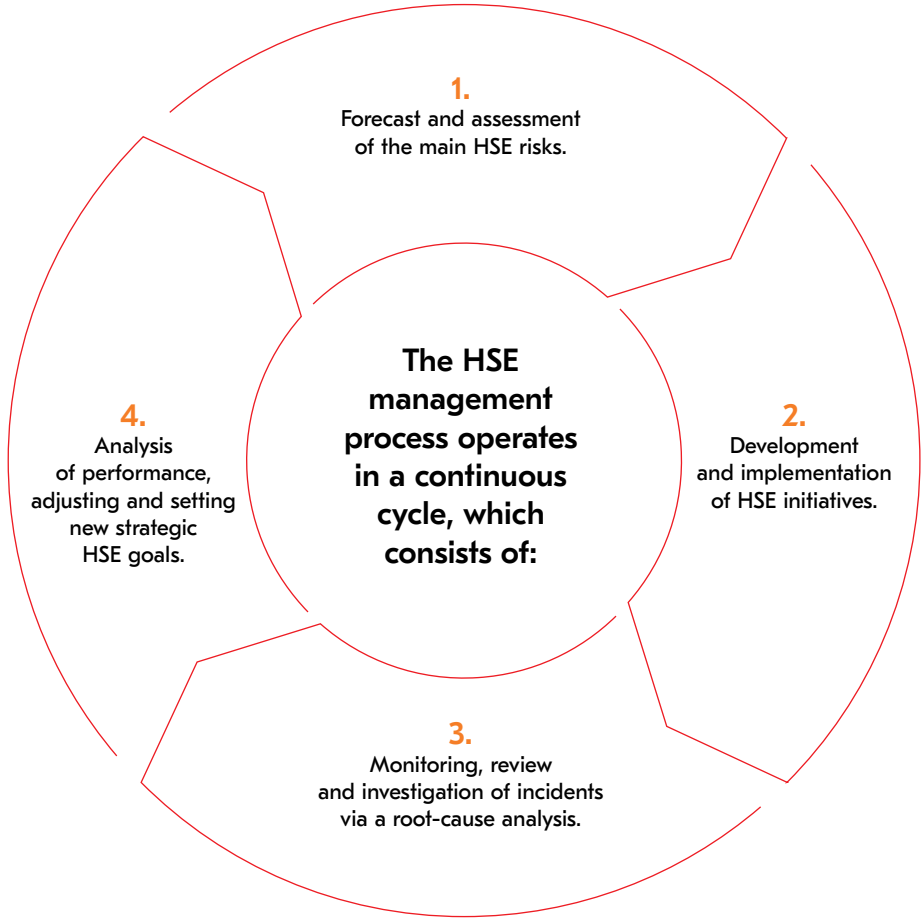
EVRAZ strives to adhere to all respective local HSE laws, the Group's internal regulations and all HSE policy principles. In addition to technical regulations, the operational activities of the Group are governed by the following HSE documents:

- The HSE Policy.
 - The Cardinal Safety Rules.
 - The Fundamental Environmental Requirements.
 - The Standard Incident Reporting Rules.
- The HSE management system at EVRAZ' metallurgical plants is certified under OHSAS 18001 and major steel entities are certified under the ISO 14001 standard. In 2020, Bureau Veritas Certification RUS carried out a recertification audit at the EVRAZ ZSMK facility as part of meeting the requirements of the ISO 45001 international standard.

HSE reporting system

Standard incident reporting rules, which form part of the Incident Management Standard, have been adopted across the Group, in line with the principle of making continuous improvements to the HSE management system. If an incident occurs, a flash report, containing all of the details and circumstances of the incident, as well as response actions taken, is issued within 24 hours. The report is distributed immediately to all relevant managers. The local HSE department conducts an investigation and disseminates the key findings in order that all employees can learn from these incidents.

The Group requires all incidents to be investigated. In 2020, EVRAZ revised



the internal regulation of incident investigations to strengthen the practise of root cause identification and to facilitate the integration of Risk Management Project tools into the investigation process. In addition, the A3 problem solving tool is used in all investigations of incidents to determine the key causes of incidents. This analysis helps users gain a deeper understanding of issues and allows them to present their ideas on preventive measures using a single sheet of A3-sized paper.

HSE functions also monitor subsidiaries using monthly, quarterly, and annual HSE performance reports based on data collected through the corporate HSE reporting system.

Each fatality, serious injury, or significant environmental incident is reviewed by the HSE Management Committee, which also verifies the completeness and appropriateness of all remedial actions taken.

EVRAZ requires that its employees do not conceal or misrepresent the circumstances surrounding an incident. Violations in this area can lead to dismissal. To help prevent any concealment of data and information, several HSE KPIs have been implemented for managers and executives. In addition, EVRAZ employees can use a hotline to report any operational hazards or HSE gaps.

The Group is committed to conducting regular internal and external audits to verify whether the HSE management system is functioning properly and to monitor the effectiveness of remedial measures being taken. All audit results are used to develop corrective actions and eliminate violations. State supervisory bodies also perform external inspections and all recommendations made as a result of these are carefully analysed to ensure the necessary remedial measures are taken.

OCCUPATIONAL HEALTH AND SAFETY

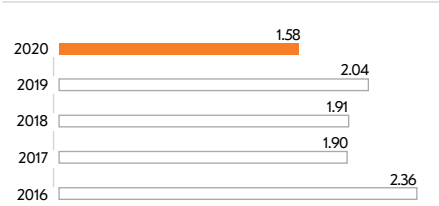
Safeguarding human life and health from threats related to harmful and dangerous industrial factors is the Group's highest priority. All EVRAZ employees are covered by the HSE management system. Despite consistent efforts on the part of the Group, many EVRAZ employees and contractors work in conditions that sometimes entail health and safety risks. Rock bursts, floods, gas explosions and incidents caused by blasting works are some of the typical risks encountered during mining operations. Employees at EVRAZ' production assets work with moving machinery, molten metal, lifting equipment and in very hot conditions. Other risks to employees include working at heights, working with electrical power units, and operating cutting materials and equipment. Even employees working in offices are sometimes exposed to health and safety hazards.

EVRAZ has also analysed the entire industrial process to identify the main risk areas and the procedures in place across its operations to develop, alongside technical solutions, risk management methods and to mitigate hazardous and harmful impacts on employees.

Another way in which the Group seeks to improve operational safety is by training staff in risk identification and analysis, HSE regulations and safe working methods, as prescribed by law. EVRAZ also equips employees with personal protective equipment (PPE) to lessen the impacts of potentially harmful operations.

The Group strives constantly to enhance the safety culture, and all employees and contractors are required to understand that they are personally responsible for their health and safety. With this in mind, EVRAZ initiated the Risk Management Project to improve the level of safety culture and to actively engage staff in the HSE management process.

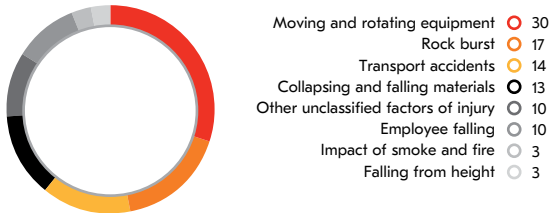
Lost time injury frequency rate (LTIFR)



Work-related employee fatalities



Main types of high-consequence work-related injuries and fatalities, 2020 (incl. contractors), %



Performance in 2020

LTIFR

The Group uses a number of occupational health and safety (OHS) performance measurement methods. One of the most important is the Lost Time Injury Frequency Rate (LTIFR). In 2020, the LTIFR at EVRAZ stood at 1.58, which was 22.5% lower than the 2019 figure of 2.04. The Group met its target level of 1.61.

Fatalities

It is regrettable to report that, in 2020, five colleagues lost their lives during the performance of their duties. These incidents involved exposure to moving equipment, dynamic mine processes and falling loads. The Group is deeply

saddened by these losses and continues to work towards eliminating injuries and achieving the goal of zero fatalities in the near future.

In-depth, internal investigations were conducted into each accident to determine the critical factors and root causes. EVRAZ is resolutely committed to avoiding such incidents in the future. The OHS Management Committee reviews investigations and then creates a plan for corrective measures and implements respective health and safety initiatives across the Group and in individual business segments or facilities. The HSE Committee also approves these plans. The HSE Committee and other committees of the Board of Directors monitor the implementation of these measures, as well as their efficacy.

Health protection

The Group carries out in-depth work to enhance working conditions and to improve industrial sanitary and hygiene conditions. In line with domestic legal requirements and international best practices, EVRAZ provides all employees with insurance for work-related injuries and disease. The Group also offers staff regular medical check-ups, which help to prevent occupational diseases and ensure prompt treatment.

If an occupational disease is diagnosed, the employee receives temporary disability compensation and their treatment costs are fully covered by the Group. EVRAZ also provides financial assistance to employees with occupational diseases, depending on their circumstances and medical condition. Those in need of long-term medical treatment and recovery can also receive compensation for any harm they have suffered.

During the reporting period, 166 cases of occupational diseases were recorded at EVRAZ facilities, which was 29.9% lower than the figure for 2019 (237). The Group takes a proactive approach to managing health risks, by elaborating and continuously enhancing occupational disease prevention programmes.

The most common occupational diseases were hearing disability and illnesses of musculoskeletal system owing to the nature of working conditions.

Key projects

EVRAZ believes that the safety initiatives implemented across the Group help to support the development of the safety culture and will hence have a long-lasting effect on safety performance. In 2020, the Group continued to implement new safety initiatives.

Risk hunting

EVRAZ launched a new mobile app, Hunt for Risk, to identify and eliminate workplace risks. This app strengthens the safety culture level of staff through using gaming techniques. The new app is a key tool of the risk management system that EVRAZ began to implement in early 2020, with a view to preventing and eliminating threats to health and safety. With the app, the majority of employees can report and mitigate risks easily, simply and fast.

EVRAZ and Tactise risk management symposiums

In 2020, EVRAZ, together with Tactise Group, conducted five symposiums for risk managers relating to the Risk Management Project launched in 2019. The online meeting was held in August 2020. The aim of such meetings is to exchange best practices and experience among risk managers across EVRAZ. Also, such conversations allow urgent issues to be openly discussed. As a result, cross-divisional symposiums have become a regular fixture for EVRAZ risk managers.

Video analysis implementation

The EVRAZ Coal segment has introduced artificial intelligence methods to prevent incidents that involve workers. This modern technology allows OHS violations and inappropriate or hazardous actions by employees to be detected on a 24/7 basis. The pilot project was launched in 2020 at Raspadskaya Coal Company. A digital network monitors whether an employee has the necessary PPE or whether they are in a safe area. A similar system will be rolled out for the corporate auto fleet. Video analysis will be used to ascertain whether drivers and passengers have fastened their belts or are using their phone while driving.

Outlook for 2021 and the medium term

In 2021, in addition to continuing division-specific key risk programmes, EVRAZ plans to continue to implement key initiatives targeted at fostering and improving the safety culture. The strategic goal is to reach at least 60% compliance according to the Bradley scale of safety culture in 2021.

Three key areas for improvement of the Safety culture were defined:

- Dilemma of safety vs. production.
- Promotion of safety behaviour: comply, communicate and improve.
- The motivational system for safety actions.

EVRAZ plans to further develop these areas and has already conducted several pilot projects and developed the programme for these areas for implementation in 2021.

During the next reporting period, another key HS objective for EVRAZ will be to carry out HSE transformation initiatives that include the in-depth adaptation of the HSE Management System for risk management processes and the HSE team.

EVRAZ has set the goal of reducing documentation in safety processes by 30% and using the additional time available for management to improve employee engagement. The Group also expects the HSE team will be reorganised along the following lines:

- Incorporating the risk-management project team into the HSE organisational structure.
- Balancing the team and its competences with new processes and their requirements.

ENVIRONMENTAL MANAGEMENT

Management approach

A priority strategic goal for EVRAZ is to ensure that its business operations are conducted in the most sustainable way possible. To comply with its environmental obligations and meet stakeholder expectations, the Group prioritises the mitigation of adverse environmental impacts caused by its day-to-day operations.

The environmental management approach of EVRAZ is determined by its business strategy and HSE Policy (see the Health, safety, and environment section on **page 56**). All enterprises in the Group adopt an environmental management system (EMS) based on the plan-do-check-act (PDCA) model. The EMS provides a framework that contributes to mitigating environmental risks and supports the organisation of the Group's environmental compliance processes. EVRAZ conducts internal audits to assess risks and evaluate its HSE management system.

The Group strives to comply with all applicable environmental requirements. EVRAZ also strictly adheres to registration, evaluation, authorisation and restriction of chemicals (REACH) regulations governing products that it supplies to or manufactures in the European Economic Area. In 2020, the Group began to update its corporate regulations concerning REACH compliance, which it plans to complete in 2021.

EVRAZ implements environmental and social impact assessments (ESIAs) for all new projects and operations. This is part of how it evaluates the potential direct and indirect impacts of its activities on local communities and the surrounding environment. It further prepares mitigation plans to limit and manage these impacts. While conducting ESIAs, the Group discusses any decisions and measures to be implemented with local and regional government, business and community stakeholders throughout the project's life.

When conducting day-to-day operations, all employees are required to adhere to the EVRAZ Fundamental Environmental Requirements. These comprise procedures related to environmental control systems. They also prohibit the discharge of any chemical products and waste disposal outside designated areas.

¹ The figure exceeds 100% due to the recycling of previously accumulated waste.

2020 highlights

Non-mining waste recycling and reuse¹

102.7%

Reduction in total air pollutant emissions

3.7%

Environmental strategy

To ensure environmental compliance and mitigate any potential adverse environmental impacts, EVRAZ has elaborated and is constantly improving its environmental strategy. It is based on sustainable business practices and environmental principles, which are incorporated into all stages of the Group's value chain.

In 2017, EVRAZ set five-year environmental goals in three areas: water, waste and GHG emissions. In 2020, the Group accomplished these water and waste goals (for GHG emissions, see the Climate and energy section on **page 64-67**).

Goal	Result in 2020
To maintain an intensity ratio of less than two tonnes of carbon dioxide equivalent (tCO2e) per tonne of crude steel cast.	Achieved level of 1.97 tonnes of carbon dioxide equivalent (tCO2e) per tonne of crude steel cast.
Reduce water consumption to 207 million cubic metres	Reduced water consumption to 206 million cubic metres
Recycle 95% of non-mining waste and by-products	Recycled 102.7% ¹ of non-mining waste and by-products

In 2020, EVRAZ updated the environmental strategy and developed two scenarios related to the level of impacts and capital investments: realistic and stressful. To meet the expectations of investors and society, the Group has also set new goals for the period up to 2030.

Area	Goal (2019–2030)	2020 status
Water	Zero water discharge from steel production	68.6 million cubic metres
Waste	Utilise 95% of waste from metal production and general waste	102.7%
	Recycle 50% of mining waste	28.5%
Air emissions	Reduce total atmospheric emissions from steel production by 33%	3.7% decrease
	Reduce dust emissions from coal mining by 1.5 times	10.0% decrease

Within the new strategy the Group also aims to ensure full regulatory compliance and transparent data measurements by 2025. To enhance the disclosure of information

regarding its environmental strategy, the Group also updated its environmental reporting procedures during the reporting period.

To maintain a high level of environmental awareness and competence among employees, the Group provides training on waste management methods, HSE practices and other topics. In 2020, due to the COVID-19 pandemic, most of these trainings were held in an online format.

In 2020, EVRAZ spent US\$56.95 million on projects to improve its environmental performance and US\$32.87 million on measures to ensure environmental compliance. There were no significant environmental incidents or material environmental claims involving the Group's assets during the reporting period. Non-compliance related environmental levies and penalties totaled US\$3.1 million (US\$5 million in 2019).

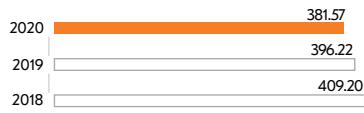
The Group has committed to implement various environmental protection programmes over 2021–26. As of 31 December 2020, the estimated cost to implement these programmes totaled US\$226.2 million, compared with US\$198.6 million as of 31 December 2019. The rising environmental commitments is mainly related to renewal of obligations under the Wastewater Management programs of steel production sites to implement “zero water discharge” goal.

Lowering air emissions

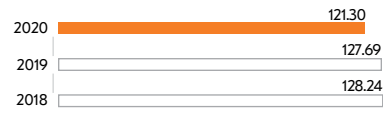
EVRAZ understands that its growing business activities produce air emissions. The Group does its utmost to reduce them, as well as to mitigate any potential impacts on human health and the environment. This includes implementing best available technologies and regularly upgrading equipment. EVRAZ also continuously monitors all emissions to minimise the risk of breaching acceptable limits. Key emissions include sulphur oxide (SO_x), nitrogen oxide (NO_x), volatile organic compounds (VOCs) and particulate matter (dust). In 2020, total key air emissions fell by 5% year-on-year.

To attain these goals, the Group undertakes various activities and investments, including those within the scope of the Clean Air project.

EVRAZ total air emissions (including key emissions), 2018–2020, kt



EVRAZ key air emissions, 2018–2020, kt



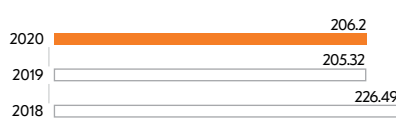
Clean Air project

EVRAZ has continued to implement the Clean Air federal project, which forms part of the Environment national project. As part of the Clean Air project, the Group undertook significant measures in 2020 to improve gas purification systems at EVRAZ NTMK. These included overhauling blast furnace No. 6, a modern facility in Russia that has aspiration units containing 34,560 filters to collect and purify air. The new system more than doubled the efficiency of the facility's gas cleaning system. The project required total investments of US\$176 million,

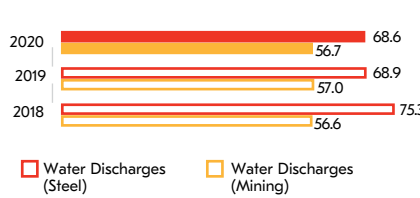
including US\$10.7 million to modernise the aspiration units.

The Clean Air project also involved modernising the electrostatic precipitators at EVRAZ ZSMK's boilers Nos. 7 and 8, as well as commissioning boiler No. 10. The electrostatic precipitators purify flue gases from ash when burning coal in boilers. As a result, annual dust emissions into the atmosphere of Novokuznetsk will be reduced by 10 thousand tonnes. During the past three years, the Group invested a total of US\$8.4 million in this project.

EVRAZ fresh water intake for production needs, 2018–2020, million cubic metres



Total water discharge, million cubic metres



Zero discharge

In 2020, the Group continued its efforts to reduce adverse water-related impacts on the environment. As part of this programme, EVRAZ ZSMK began to construct new wastewater treatment facilities. These measures will halt water discharges into Lake Uzkoe, in line with the goal set forth in the environmental strategy. Treated wastewater will be used for production needs.

The project includes multi-stage wastewater treatment to ensure that no threshold limit for pollutants will be exceeded. The estimated capacity of the project's treatment units is 600 cubic metres per hour. The project is scheduled for completion at the end of 2022.

Balancing water supply

Mining and steelmaking operations use significant volumes of water. To ensure the rational use of water resources and prevent water-related adverse impacts, EVRAZ strives to implement efficient water management methods to handle both mine water and fresh water.

Most of the Group's business operations do not take place in water-stressed regions. EVRAZ uses fresh water from surface water bodies, groundwater wells and public water networks for production processes, equipment cooling, fire safety, drinking and household purposes. Almost 95% of total fresh water intake for production needs occurs at major steel factories: EVRAZ NTMK, EVRAZ KGOK, and EVRAZ ZSMK (including Evrazruda). Around 90% of these factories' fresh water intake is covered by surface water, including from rivers, lakes and reservoirs. In 2020, the total water consumption at these sites was 205.7 million cubic metres, of which fresh water accounted for more than 95.2%. The total volume of fresh water consumed for production purposes was 206.2 million cubic metres, an increase of 0.9 million cubic metres year-on-year.

For safety reasons, the Group also pumps mine water (quarry water) out of mines and open pits at its coal and ore mining sites. Mine water is produced when ground water of various horizons mixes and interacts with mine atmosphere and rocks uncovered by mining excavations. Unfortunately, it is not possible to fully control or forecast the volume of this water because it depends on natural processes. While EVRAZ strives to use mine water for production needs instead of fresh water, the volume of such water exceeds what the mining assets can consume. The majority of mines are also located in remote areas that exclude any possibility of delivering surplus water to other consumers. In 2020, the Group used 24.3 million cubic metres (or 34.6%) of mine water for production needs instead of fresh water. The remaining volume of 45.8 million cubic metres (65.4%) was discharged into water bodies. In line with the water-related goal established in the environmental strategy, EVRAZ treats mine water to remove pollutants introduced during mining.

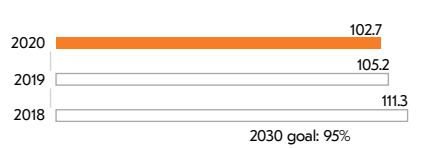
Waste management strategy

Minimise at the source	<ul style="list-style-type: none">Improve technological processes to enhance product quality.Secure by-products without generating waste.
Reuse	<ul style="list-style-type: none">Reuse main types of waste from metal production: slag, clinker and tailings, including from old dumps.
Recycle	<ul style="list-style-type: none">Develop new products that feature various types of waste.Use inert waste to reshape land plots and build dams or roads.
Burn as fuel / generate heat	<ul style="list-style-type: none">Generate heat from hot slag.Use waste for heating (local boilers).
Store	<ul style="list-style-type: none">Store waste that cannot be used today safely, retaining the option of using the locations as industrial sites in the future.
Burn	<ul style="list-style-type: none">Under the EVRAZ Fundamental Environmental Requirements, it is forbidden to: "burn production and consumption waste without special facilities or dump it outside designated areas".

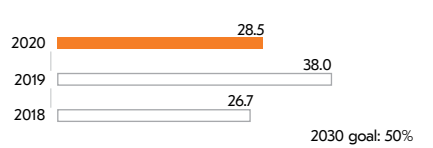
EVRAZ mining and non-mining waste generated, 2018–2020, million tonnes

Waste type	2018	2019	2020
Non-mining waste	7.9	8.4	8.7
Mining waste	232.0	198.8	135.6

Non-mining waste recycling and reuse rate¹, 2018–2020, %



Mining waste recycling and reuse rate, 2018–2020, %



The Group strictly adheres to legal requirements related to water discharges. In 2020, the total volume of water discharged was 125.3 million cubic metres, a reduction of 0.6 million cubic metres year-on-year.

Waste stewardship

EVRAZ recognises that its business activities generate large volumes of waste, including from metal production and general (non-mining) waste. They also produce mining waste, such as overburden, tailings and barren rock. The Group endeavours to apply effective management practices in this area to ensure the rational use of natural resources and reduce waste generation. The waste management strategy includes the following priorities, listed in order of importance.

In 2020, the total volume of non-mining waste and by-products that EVRAZ enterprises generated was 8.7 million tonnes.

In line with the environmental strategy, the Group seeks to increase the amounts of waste that it recycles and reuses. In 2020, it reused 48.9 million tonnes of waste (including mining waste). Where possible, EVRAZ uses non-hazardous mining waste for land rehabilitation purposes, as well as to build dams and roads. In 2020, 38.6 million tonnes of this waste were reused.

EVRAZ stores waste from metal production at tailings storage facilities (TSFs), in keeping with standard industry practices. The Group has three TSFs in operation at EVRAZ ZSMK and EVRAZ KGOK. The safety of TSFs is a top priority, as their operation entails significant environmental risks. EVRAZ has a dam safety management system that ensures compliance with applicable legislation covering all stages of their service life: design, construction, operation and closure. The Group also conducts continual safety monitoring, and its TSFs are regularly audited by internal and external specialists, as well as inspectors from regulatory bodies.

Protecting biodiversity

EVRAZ has a responsibility to protect biodiversity and local species, as well as their habitats. The Group assesses biodiversity related impacts during all stages of implementing mining and steelmaking projects. No EVRAZ assets are located in protected natural areas or territories with a high biodiversity value. In addition, the Group's activities do not directly impact biodiversity.

EVRAZ strives to promote a rational and prudent attitude towards biodiversity and enhancing the living environments of its employees. The Group also actively engages with local communities on biodiversity related issues.

The Group's environmental initiatives include planting trees in parks and public squares, along town/city streets and in the territory around kindergartens. The Group planted around 7,000 trees during the year.

Rehabilitating disturbed land and landscaping

To restore land disturbed by mining and steelmaking operations, EVRAZ implements environmental projects aimed

at rehabilitating affected areas. In 2020, the Group completed a reclamation project for tailings storage facility No. 2 at Evrazruda (EVRAZ ZSMK).

Restoring aquatic biodiversity

The Group's approach to biodiversity includes striving to preserve the quality of water ecosystems and supporting existing biodiversity. EVRAZ regularly releases various species of fish into affected water bodies to offset any potential impacts on bioresources. In 2020, the Group's assets released more than 204 thousand fingerlings in Kemerovo region.

Outlook for 2021

In 2021, EVRAZ will continue its efforts to mitigate any adverse impacts, as well as to preserve and enhance surrounding environments. Going forward, the Group plans to review its HSE Policy and REACH regulations. EVRAZ will remain committed to implementing measures under the Clean Air national project.

The Group will also continue to implement its air emission reduction programme, which includes the following key projects.

Project	2021 task
EVRAZ ZSMK	
Coke gas cooling system upgrade	Complete the design stage
Off-gas desulphurisation installation	Complete the design stage (in progress since 2019)
EVRAZ NTMK	
Coke gas redirection to by-product recovery plant No. 3	Continue the project (to be completed by 2022)
Efficiency upgrades of off-gas cleaning units	Continue the project (to be completed by 2024)
Decommissioning of coke oven gas cooling tower	Continue the project (to be completed by 2022)
EVRAZ Vanady-Tula	
Kiln off-gas system upgrade	Complete the project

In 2021, the Group will also continue to implement the water management programmes launched in previous periods, including at EVRAZ ZSMK, EVRAZ NTMK,

Raspadskaya and EVRAZ Vanady-Tula. In addition, Raspadskaya will continue to construct wastewater treatment facilities.

¹. The recycling and reuse rate exceeds 100% due to the recycling of previously accumulated waste.

GHG EMISSIONS AND ENERGY EFFICIENCY

2020 highlights

Total GHG emissions	GHG emission intensity	Total energy consumption	Energy intensity
43.57 Mt CO ₂ e	1.97 t CO ₂ e/tcs	351.81 million GJ ¹	23.30 GJ/tcs ²

Approach

EVRAZ recognises the importance of taking action to combat climate change in order to prevent negative and irreversible impacts resulting from further rises in global average temperatures. In 2020, the Group took its first steps in assessing climate-related risks in accordance with Task Force on Climate-related Financial Disclosures (TCFD) recommendations. These include conducting a qualitative evaluation and plans to improve the analysis of these risks in the future.

EVRAZ' approach to managing climate change risks is to systematically reduce greenhouse gas emissions by implementing best practices and technologies. A substantial part of these initiatives to lower total and specific GHG emissions relates to energy and fuel consumed at the Group's facilities. These projects are aimed at enhancing energy efficiency and boosting the use of renewable and secondary energy sources. The Group is working to reduce the carbon intensity of its energy sources and to increase its own power generation and self-sufficiency by recycling 100% of secondary energy resources generated at its metallurgical plants. In addition, in order to enhance energy efficiency, EVRAZ is working to improve energy management at its assets and to engage all employees in energy efficiency issues. EVRAZ plans to implement several related projects in the next five years. These are expected to not only lower energy costs, but also the negative impacts of accelerating climate change.

GHG emissions

Mining and metallurgical operations are energy intensive and produce a high level of carbon dioxide (CO₂) and other greenhouse gas emissions that contribute to climate change.

^{1.} or 97,723 million kWh.
^{2.} or 6,472 kWh/tcs

EVRAZ recognises its commitment to climate change mitigation and understands that businesses must play an active role in finding solutions. By adopting TCFD recommendations, the Group keeps stakeholders informed about the risks it faces due to climate change, as well as opportunities to manage these risks.

The Group supports global initiatives to combat climate change, as well as national climate-related strategies in the countries where it operates. As a member of organisations such as Russian Steel and the World Steel Association, EVRAZ resolutely supports efforts at climate mitigation and adaptation.

Another milestone for the Group in 2020 was joining the UN Global Compact initiative, which considers business as a force for good and will support the Group's efforts to promote the transition to a low-carbon future. As a participant in the UN Global Compact, EVRAZ promotes a preventive approach to environmental challenges and greater environmental responsibility, as well as work to develop and implement "green" technologies, such as those that lower its GHG emissions.

EVRAZ' commitment to reducing greenhouse gas emissions is reflected in its goals. The Group has set a target for the period 2018–2022 of maintaining specific Scope 1 and 2 GHG emissions from steel production (the Steel and North America segments) below 2 tonnes of carbon dioxide equivalent per tonne of crude steel (tCO₂e/tcs). This target was reached in 2019, with a level of 1.97 tCO₂e/tcs. In 2020, EVRAZ was able to meet the target, with the same value of 1.97 tCO₂e/tcs.

During 2020, the Group developed an updated Environmental strategy that sets forth new and ambitious climate-related

goals up to 2030, using 2019 as a baseline year. These steps include:

- Reducing specific Scope 1 and 2 GHG emissions from EVRAZ's Steel segments (the Steel and North America segments) by 20%, which complies with the Paris Agreement. Efforts to meet this goal will involve modernisation and energy efficiency measures, with energy efficiency projects representing a core focus for EVRAZ in lowering its level of GHG emissions. In addition to energy efficiency initiatives, during the development of the Group's Environmental strategy, EVRAZ considered several promising projects for switching to the best technologies available aimed at reducing GHG emissions, including the return of sinter gases to the sinter furnace and gas tank installation for the recovery of converter gas and heat at oxygen converter shop no. 2. It is planned to adopt these technologies in the future as part of the implementation of the Environmental strategy to 2030.
- Utilising 75% of methane (CH₄) emitted in the process of degassing carried out during coal mining.

In 2021, the Group plans to improve its approach to estimating greenhouse gas emissions, including the methodology for calculating them.

As above, EVRAZ discloses data in tCO₂e (tonnes of carbon dioxide equivalent), calculated using IPCC 2006 global warming potentials.

A comparative analysis of GHG emissions from the Group's operations, for the period 2016 to 2020, demonstrates relatively stable growth in total GHG emissions. In 2020, nearly all of EVRAZ's overall GHG emissions remained at the same level, rising by only 0.51%

Climate Change Report 2020

In October 2020, EVRAZ issued its first dedicated Climate Change Report compliant with TCFD recommendations and providing stakeholders with additional information about the Group's approach to climate change. This includes the role played by top management in this area and the organisational structure of climate-related risk management. In 2020, EVRAZ conducted its first climate scenario review, determining and analysing relevant transition

and physical climate-related risks, as well as identifying appropriate opportunities. Insights into how climate change under different scenarios will impact the Group's operations, how significant this will be, and which actions will be taken are presented in the report. The report also provides information on EVRAZ' vision for a low-carbon future for steel producers.

Discover more in the Climate Change Report: <https://www.evraz.com/en/sustainability/data-center/climate-change-reports/>

compared to 2019. There was also a 0.87% rise in the Group's direct GHG emissions.

The increase was mainly attributable to an annual increase in methane emissions (by 5.4% vs. 2019), due to higher methane concentrations in the coal seams and more intense degassing at some mines.

As methane is combustible, the Group carries out preliminary degassing to improve employee safety. To boost efficiency in this regard, it is important to increase the volume of gas captured. It generates higher methane emissions, and to reduce these, EVRAZ plans to conduct research and development projects on methane utilisation in 2021.

In 2020, EVRAZ reduced its Scope 2 emissions by 2.8%. This was due to lower steel production at the Group's North American assets, which have no integrated power plants and have to purchase electricity from the market, and a decrease in electricity purchases by Russian steel mills.

EVRAZ GHG emissions, 2016–2020, million tCO₂e

	2016	2017	2018	2019 ¹	2020
Direct (Scope 1)	35.81	36.68	34.56	39.06	39.41
Consisting of:					
– CO2	28.76	28.35	26.86	27.96	27.71
– CH4	6.99	8.26	7.64	11.04	11.64
– N2O	0.07	0.06	0.06	0.06	0.06
– PFC and HFC	0.0001	0.00003	0.00009	0.00002	0.00012
– SF6	–	–	–	–	–
– NF3	–	–	–	–	–
Indirect (Scope 2)	5.02	4.97	4.23	4.28	4.16
Total GHG emissions	40.83	41.65	38.79	43.35	43.57

Note: Scope 1 data includes emissions in tonnes of carbon dioxide equivalent from the combustion of fuel and from other sources that are owned or controlled by the company.

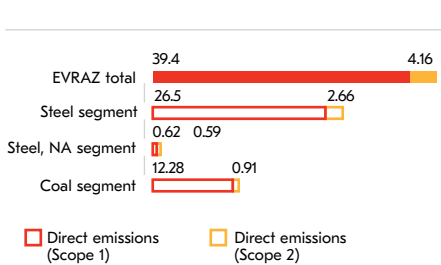
The Steel segment (incl. North America) continues to generate a significant portion of the Group's gross GHG emissions, and accounted for 70% of the total GHG level in 2020. Operations in the Coal segment accounted for 30% of overall GHG emissions

in 2020, almost all of which (94%) were methane emissions.

Overall emissions in the steel sector (the Steel and North America segments) were 0.5% lower than the 2019 level, mostly due

to a minor decrease in crude steel production and therefore the specific intensity of GHG emissions remains at the same level of 1.97 tCO₂e/tcs.

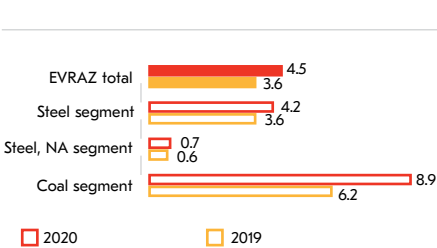
EVRAZ Scope 1 and 2 GHG emissions in 2020, million tCO₂e



Specific Scope 1 and 2 GHG emissions from steel production (the Steel and North America segments), tCO₂e/tcs



GHG emissions per consolidated revenue in 2020 vs. 2019, kgCO₂e/US\$



^{1.} The numbers for 2019 were recalculated, which resulted in a downward correction of 0.03 million tCO₂e for direct GHG emissions (Scope 1).

Energy efficiency

EVRAZ strives to improve the energy efficiency of all its facilities to minimise the Group's environmental impact. This helps to reduce greenhouse gas emissions, as well as energy and process fuel costs. Energy intensity is an important aspect of the energy efficiency programmes at EVRAZ.

The energy management system is the primary driver of energy efficiency transformation processes. In 2019, the Group's senior management decided to create a separate function to strengthen the energy management system at its production divisions in Russia. These efforts focused partly on production processes and the transportation of energy resources to power plants at facilities. They also sought to expand the scale of the energy efficiency management approach to include energy consumption processes at steel production workshops.

In 2020, several changes were made to the energy efficiency management function. A group of energy management system experts was created at the two most energy-intensive facilities, EVRAZ ZSMK and EVRAZ NTMK. These two enterprises account for more than 85% of the Group's energy consumption. Energy management teams were formed to monitor energy consumption, minimise energy intensity and reduce energy costs.

Results in 2020

Based on the positive lessons learned at EVRAZ ZSMK in September 2019, EVRAZ NTMK and EVRAZ KGOK held Idea Factory sessions in February 2020. Called "Growth Points. Energy Efficiency", the sessions helped to shape the energy efficiency programmes at steel production workshops.

The Group also conducted an ambitious target setting cycle covering energy efficiency. It relied on industry benchmarking and a review of best production practices in each technological segment to evaluate the potential to reduce energy intensity. It resulted in short-term and long-term targets being set, as well as further steps for reducing energy consumption being identified.

Digital transformation in power supply

In 2020, EVRAZ ZSMK's thermal power plant launched a system for modelling operating conditions, as well as calculating technical and economic metrics. The system is capable of calculating the optimal composition and load of primary and auxiliary equipment. It can also monitor power plant KPIs and predict standard specific fuel equivalent consumption.

The project helped to reduce specific fuel consumption by:

1.4% for electricity supplies

0.9% for thermal energy supplies

Based on the lessons learned from this initiative, the system will be rolled out at EVRAZ NTMK's thermal power plant in 2021.

Installation of gas top pressure recovery turbine at EVRAZ NTMK

EVRAZ NTMK is installing a gas top pressure recovery turbine to generate energy from secondary sources. This technology makes it possible to convert blast furnace gas pressure energy into electric power without the combustion of additional fuel. The facility is expected to be more advanced and powerful than its counterparts, of which there are only five in Russia.

The new turbine is scheduled to be launched in the first quarter of 2021. It will help EVRAZ NTMK to enhance its resource and energy efficiency, increase its self-sufficiency in electricity and lower the cost of its final products.

As the technology does not consume additional fuel, it will help to reduce overall CO₂ and other emissions, in proportion to the volume of electricity generated.

In 2020, EVRAZ developed a comprehensive programme aimed at creating a system to fully track the consumption of energy resources at the workshop and plant level. The process included an assessment of ways for production personnel to have an immediate impact on fuel and energy costs in the technological process. The initial phase of the programme's implementation will help to reduce unaccounted interdepartmental energy flows by 30% in 2021.

The Group's energy efficiency programmes are helping to achieve the goal of reducing the energy intensity of its production processes. The programmes include initiatives covering a five-year period.

The main aspects of the energy efficiency programmes include:

- Optimising and minimising energy consumption and losses at production sites, including electricity, thermal energy, fuel, natural gas and air gases.
- Using secondary and renewable energy sources.
- Optimising the blend of furnace charge, coking coal and process fuel.
- Automating energy-intensive equipment.
- Implementing digital transformations of energy supply systems.

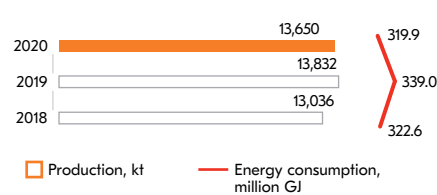
In 2020, EVRAZ NTMK continued to install a gas top pressure recovery turbine at blast furnace No. 7. This project is as part of an initiative to reduce electricity purchases by generating energy in-house.

As part of its energy efficiency efforts, the Group has begun to track energy intensity metrics at all of its production facilities. EVRAZ is using this new KPI to improve employee engagement and motivation. Success in improving energy efficiency also requires daily efforts to enhance the operational efficiency of equipment.

In 2020, the Group's total energy consumption decreased by 5.3% year on year (to 351.8 million GJ), including the energy consumption of metallurgical enterprises which decreased by 5.6% year on year (to 319.9 million GJ), consumption of iron ore and coal assets - by 2.5% (to 31.9 million GJ). It should be noted that the specific energy intensity of EVRAZ NTMK and EVRAZ ZSMK also decreased, by 9% (compared to 2018 which is a base year) due to the development of the energy management system.

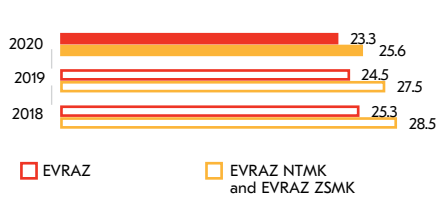
The Group is working diligently to develop and improve its energy management system. In January 2021, EVRAZ NTMK recertified the compliance of its energy management system with the updated ISO 50001:2018 standard. Going forward, EVRAZ ZSMK and EVRAZ KGOK also plan to receive ISO 50001 certification.

Total energy consumption of EVRAZ' steelmaking operations and its production, 2018 - 2020¹



Note: Energy consumption in million kWh: 88,871 in 2020, 94,163 in 2019 and 89,617 in 2018.

Energy intensity of EVRAZ' steelmaking operations, 2018 - 2020, GJ/t²

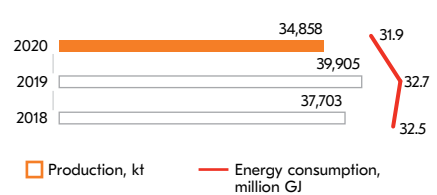


Note: EVRAZ energy intensity in kWh: 6,472 in 2020, 6,805 in 2019 and 7,027 in 2018.

Outlook for 2021

In 2021, EVRAZ will develop a comprehensive methodology for assessing the development of the energy management systems throughout the Group's facilities. This methodology will be applied during internal energy management audits at the segment and shop levels.

Total energy consumption of EVRAZ' mining operations (coal and iron ore) and its production, 2018 - 2020¹



Note: Energy consumption in million kWh: 8,852 in 2020, 9,079 in 2019 and 9,021 in 2018.

Note: EVRAZ does not have any production facilities in the UK, only the office. Data for UK office as well as data for offices located in Russia and North America were not included in the graphs, since the volumes of consumed power are not material in terms of overall energy consumption within the Group.

EVRAZ will also continue to integrate energy efficiency criteria in its procurement and investment processes. The Group is actively working to purchase energy efficient electric motors and transformers.

In addition, EVRAZ will implement measures as part of its energy efficiency programme aimed at reducing energy intensity. These measures are part of the ambitious targets that the Group has set for each of its facilities.

¹ This graph presents gross output as the sum of production volume metrics for key products (raw steel, iron ore products and unprocessed coking coal) and vanadium slag. To calculate the Group's total energy consumption, this Report takes into account all energy used at EVRAZ facilities, including for the production of coke, coke products, energy and heat. The graphic shows data for EVRAZ ZSMK (including Evrazruda), EVRAZ NTMK, EVRAZ KGOK, EVRAZ Vanady-Tula, Rapsadskaya, EVRAZ Caspian Steel, EVRAZ Nickel and the Group's Steel, North America segment. To compute total energy consumption within the Group, the formula given in GRI 302-1 is used (the sum of fuel consumed, non-renewable and renewable, and electricity, heating, cooling, steam purchased for consumption and self-generated which are not consumed minus the volumes of electricity, heating, cooling, and steam sold).

² The figure includes data on the Steel segment (EVRAZ ZSMK, EVRAZ NTMK), Steel, North America segment (EVRAZ Portland, EVRAZ Pueblo, EVRAZ Regina, EVRAZ Camrose, EVRAZ Calgary, and EVRAZ Red Deer). To calculate energy intensity ratio for the Group, the formula given in GRI 302-3 is used (the volumes of energy consumed per unit produced).

OUR PEOPLE

2020 highlights

Average headcount

69,619

Employee turnover rate

9.8%

Approach

EVRAZ is always seeking to improve the professional and personal skills of its employees, understanding that this represents an investment in the Group’s future achievements. That is why it is of great importance to create a working environment where all employees can fully realise their potential.

With this in mind, the Group continued to work actively in the following key areas of HR policy during the reporting period:

- Enhancing staff recruitment processes.
- Continuously improving the KPIs system.
- Enrolling employees in various professional courses and programmes.
- Implementing a targeted pay system.
- Developing Human Rights Policies.

- Regularly collecting feedback via a variety of communications channels. EVRAZ does not tolerate discrimination of any kind, whether based on gender, social status or class, or any other factors not directly related to an employee’s professional qualities. It is crucial for the Group to comply with international human rights laws, hence it has internal documents ensuring such compliance, such as the Code of Ethics and the Code of Conduct. These documents guarantee equal employment opportunities for everyone. Child labour, forced labour, human trafficking, and other forms of slavery (known as modern slavery) are strictly prohibited at all EVRAZ subsidiaries and their suppliers.

The Group endeavours to do its utmost to comply with international human rights legislation. In order to reduce the risk of legal violations, the treatment of workers is monitored by public organisations, including trade unions active in the Group’s operations, as well as regional and federal trade union associations and representatives from Russia’s Presidential Council for Civil Society and Human Rights.

The Group holds its partners to equally high standards of human rights and business ethics. EVRAZ’ policies require that all contracts with partners contain sections governing the prevention of corruption and human trafficking.

Case study
Human rights

During the reporting period, EVRAZ prepared and published two documents: Human rights policy and Diversity and inclusion policy, both of which were adopted by the Board of Directors on 16 April 2020.

The Human Rights Policy conforms with recommendations set forth in international documents and standards granting fundamental rights to all people, such as: The Universal Declaration of Human Rights and The International Covenant on Civil and Political Rights. The Diversity and Inclusion Policy was elaborated in accordance with international guidelines and standards, which address diversity and inclusion issues: The Universal Declaration on Cultural Diversity, The United Nations Global Compact and others.

EVRAZ’ employees can expect to be treated with respect, enjoy the safest working conditions possible, receive support to help develop their competencies and skills, have open and constructive discussions about the results of their work, receive recognition and respective performance-based financial rewards.

- EVRAZ understands the benefits of diversity and inclusion in the Group. The Diversity and Inclusion Policy sets out key principles in the following areas:
- Having a diverse Board of Directors.
 - Recruitment and employment.
 - The rights of disabled people.
 - Empowering women.
 - Development and training.
 - Zero tolerance towards bullying and harassment.

The Group requires that suppliers and contractors run their businesses in such a way that they respect the values and principles of these policies.

Personnel profile

Headcount

As at 31 December 2020, EVRAZ had a total of 69,619 employees. Compared to 2019, the Group saw an over 2% decrease in headcount.

Number of employees,
31 December 2020, people



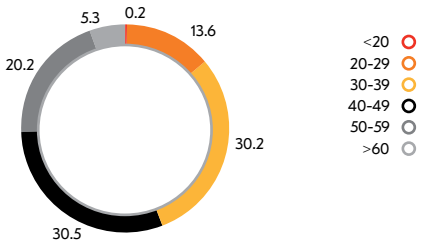
Diversity

EVRAZ sees diversity as being beneficial in terms of business and cultural development. The goal is to ensure that

all employees receive equal protection, irrespective of race, nationality, gender, age, sexual orientation, religion, political or other opinion, national or social origin, property, birth or other status.

The Group believes that diversity fosters employee engagement and development, as it nurtures different ideas and approaches within the business.

Breakdown of employees and top management by age, 31 December 2020, %

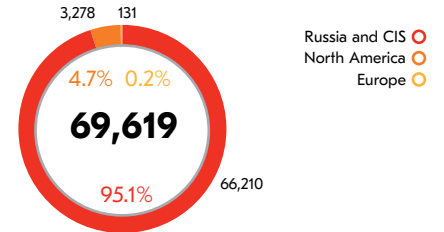


Staff recruitment and reduction

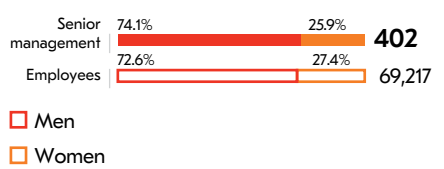
EVRAZ pays particular attention to identifying and addressing human rights risks, including those related to recruitment and working conditions. The Group embraces the principle of equal

opportunity when hiring and prohibit all forms of discrimination. Staff recruitment is conducted in full compliance with the laws of the countries in which the Group operates, including respective regulations

Breakdown of employees by region in 2020, %



Diversity of employees in 2020 by gender, broken down by senior management and employees, %



EVRAZ adheres to the following recruitment principles:

safety



respect for people



performance and responsibility



customer focus



effective teamwork



EVRAZ tries to recruit most employees on permanent employment contracts. However, on occasions, fixed-term employment contracts are necessary. Employees working under such contracts

are in a favourable position when it comes to hiring for permanent positions that arise that suit their qualifications and educational backgrounds. Remuneration is the same for both fixed-term and permanent

employees, with the exception of university students undergoing practical training and some others. Fixed-term contracts are used in certain cases such as: practical training of university students, internship etc.



Case study

EVRAZ redesigns The HuntFlow system

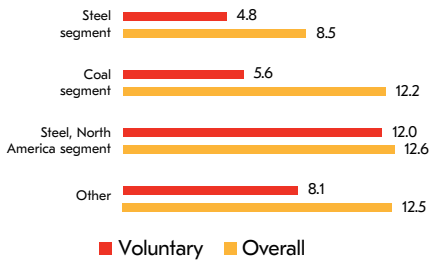
In 2020, the Group paid special attention to boosting the efficiency of HR processes. The HuntFlow system was redesigned, and EVRAZ automated a number of routine processes. In the HuntFlow system, recruiters can see that a candidate is already at the interview stage, which eliminates

the possibility of different departments hiring the same professional. Also, recruiters from different departments are able to exchange useful information in cases when a candidate is more suitable for an open position that is not the same as the one for which they originally applied.

EVRAZ has a mentoring programme, as well as a Buddy programme, introduced in 2019, and updated in 2020 as it was transitioned to an online format. In addition, EVRAZ implemented the Buddy mobile app, which allows new hires to stay in touch with supervisors. It also helps keep track of tasks, useful information, requirements and Group rules. There is also a Buddy app available for mentors, which enables them to conveniently track their student's activity.

The Group occasionally has to implement staff reduction measures linked to continuous efficiency improvements. As a socially responsible company, EVRAZ deals with personnel dismissals in the most appropriate manner, as guided by an internal document adopted in 2012, the Socially Responsible Layoff Programme.

Overall and voluntary employee turnover broken down by segments, 2020, %



Learning and development

The development of its people is a top priority for EVRAZ. The Group has a multi-level system of human resource management in place, geared towards improving the engineering and personal skills of employees, and fostering collaboration with educational institutions.

In 2020, EVRAZ continued its “Top 300” corporate management programme, and a total of 101 people took part in the third wave (September). Each programme participant is mentored by one of the Group's senior executives.

In 2020, the “Top 1,000” corporate management programme was launched,

for a child with a disability or for a child younger than three years, women who are pregnant, etc.

In addition, the Group has sought to expand the range of people that are granted priority rights to retain employment beyond categories of employees specified under Russian law, including: single fathers, people with disabilities, people whose spouse is retired or unemployed, and others.

EVRAZ endeavours to retain its production staff. When downsizing, the Group offers employees vacant positions and, if necessary, also makes available training for new professions. If needed, EVRAZ organises employee relocations to other Group facilities, working with employment centres in the regions where it operates. EVRAZ also provides training and financial assistance to discharged employees considering starting their own business.

as an extension of the “Top 300” programme, which aimed at managing employees of lower positions. Its participants received instruction in such management practices as target-setting performance dialogues, feedback, delegation and the development of subordinates. More than 230 employees participated in the programme this year.



Case study

EVRAZ receives awards for Personnel Development

EVRAZ NTMK and EVRAZ KGOK received awards in the Personnel Development category at the 17th Annual Metals and Mining Industry contest held by the Russian Metallurgists Association and the Central Council of the Russian Mining and Metallurgical Union. The Group hosts retraining

and professional development programmes for its employees, compensates them for the cost of higher education for in-demand professions and encourages their participation in scientific conferences.

Particular attention is paid to students and junior specialists. In 2020, over 240 students performed internships at EVRAZ and over half of these are already working for the Group. Junior specialists participate in scientific and technical conferences, professional skill competitions and in all-Russian competitions.

An EVRAZ team took part in the national championship WorldSkills Hi-Tech 2020, which was held using a partially remote format. The team competed in multiple skillsets and won seven medals: four golds, one silver and two bronzes, including employees aged over 50 and junior categories.

Motivation

EVRAZ strives to provide the best possible working conditions and opportunities for professional development. It approaches each employee individually, continuously improving the motivation system.

Financial motivation

EVRAZ endeavours to look beyond compliance with minimum wage requirements, with a view to ensuring that it fully compensates staff for their efforts. It also strives to ensure that the remuneration system at Group enterprises is transparent and easily understandable for employees.

In 2020, EVRAZ completed the implementation of a target remuneration system based on a grading system for employees at all of the enterprises of the Steel segment in Russia: EVRAZ NTMK, EVRAZ KGOK, EVRAZ ZSMK and at EVRAZ Vanady Tula, covering 43,500 employees.

The aim of the project is to elaborate and implement a uniform set of fair and transparent rules and principles for setting remuneration across the Group's enterprises, and to harmonise fixed and variable pay so that amounts and growth dynamics depend on the performance of an employee, team, and department, ensuring a focus on constant improvements and achievement of ambitious goals.

The implementation of the target remuneration system for production assets' employees below the level of shop heads and mine directors is the main stage in the deployment of EVRAZ' unified remuneration system, which intends to cover all of the Group's employees in Russia.

Non-financial incentives

The non-financial compensation package offered by EVRAZ to employees exceeds minimum statutory requirements and contributes to their total remuneration. The package includes:

- Voluntary health insurance.
- Additional voluntary insurance against accidents at work.
- A state pension programme.
- A programme that offsets a portion of interest paid on mortgages.
- Free wellness leave vouchers for employees and their families.

Other categories of employees who fall under EVRAZ' non-financial assistance include former employees who have worked for 10 or more years at the Group, employees who have been merged into public organisations and young professionals. The Group congratulates employees and their families on holiday occasions and organises cultural, entertainment and sporting events in the regions where it operates.

EVRAZ' collective bargaining agreements also prescribe additional leave for childbirth, weddings and the funerals of close relatives. There is also a programme that provides financial assistance to employees in challenging circumstances.

Performance management

The staff motivation system at EVRAZ includes KPIs to assess staff productivity. The KPI system is continuously reviewed and refined. Technical KPIs are in line with the best industry practices and are monitored by the Group's CEO. Corresponding KPI targets are included in management scorecards, down to the level of shop managers.

In 2021, EVRAZ plans to update the personnel assessment system so that each worker's accomplishments are viewed individually, rather than as accomplishments within a certain position or group. This assessment will be held every year.

As a part of the HR strategy, in 2021, EVRAZ implemented an HR-analytics project allowing the shops heads and mine directors to monitor the HR metrics of their departments and understand how their actions may impact certain indicators.

Employee interaction

EVRAZ acknowledges the value of receiving feedback and addressing employee concerns across the organisation, and regularly interacts with employees via the corporate intranet and website, corporate publications, social networks and web conferences, as well as Q&A and townhall meetings with members of senior management. General meetings as well as satisfaction and engagement surveys are regularly held to identify key problems. In addition, townhall meetings with employees were held. Two non-executive directors were involved in the meetings dedicated to raising awareness surrounding prevalent trends and concerns.

Work with trade unions

EVRAZ endeavours to establish long-term collective bargaining agreements with trade unions. The Group interacts with trade unions through the signing of collective bargaining agreements, which covered 88% of employees in 2020. The majority of the Group's employees are members of trade unions and provided with unique benefits.

In 2020, the Group worked on implementing a target pay system. Since changes had to be made in working conditions, it negotiated respective changes in collective agreements with trade unions at all Group facilities.

The year also saw extensions to The Coal Industry and Steel Industry Tariff Agreements with the active participation of the Group.

In 2020, there were no conflicts or collective labour disputes at the Group's Russian operating facilities. All changes and updates to collective agreements were constructive and in strict accordance with the law and the principles of social partnership. During the year, the Council of Social Work met twice; both meetings discussed the implementation of the target pay system.

Employee engagement

In order to identify the main employee engagement trends, management closely reviews engagement data from surveys. The We Are Together employee engagement survey was held annually until 2019, when it was decided that the survey would be held once every two years. The fourth We Are Together survey, carried out in 2019, outlined the need to increase employee awareness surrounding what is happening at the Group. In 2019, employee engagement survey response rate was 80%.

Based on the survey results, companywide improvement plans were announced. Raising employee awareness surrounding Group activities, including through short- and long-term goals, development plans and working conditions, is the main area for further development. Focus groups are held and after each meeting an enterprise develops a plan to eliminate problem areas.

In addition, the Coal segment conducts an annual satisfaction pulse-survey on social and living conditions at the enterprise. A special mobile app has been developed, on which various questionnaires are posted.

Performance as an employer

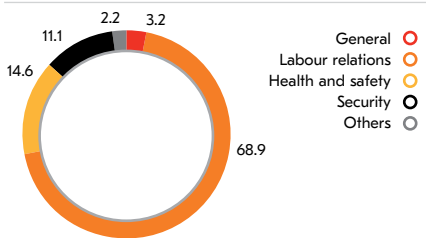
EVRAZ takes the issue of social performance management very seriously and participates annually in contests that confirm its status as a socially responsible employer. In 2020, the Group won awards in the category of Personnel Development at the 17th Annual Metals and Mining Industry contest held by the Russian Metallurgists Association and the Central Council of the Russian Mining and Metallurgical Union.

In 2020, EVRAZ began planning its employer brand development strategy. The Group launched a communications campaign and detailed actions for 2021 in pursuit of becoming one of the best recruiters in the regions where the Group operates.

EVRAZ Hotline

One of the main channels of communication at EVRAZ is an anonymous, 24-hour Hotline. The Hotline tracks employee satisfaction levels and records incidents at the Group's production facilities. Queries are processed with the help of an IT system and the process is governed by EVRAZ Hotline Statutes. Enquiries are broken down by the responsible business unit (HSE, HR, Security, etc.), and then investigated and addressed. All employee grievances are investigated by the internal audit department, and difficult, contentious, or sensitive cases are reviewed by members of the Hotline Committee, which includes the vice president for corporate communications, the internal audit director, and the internal and external communications director. Random quality control reviews are carried out on a quarterly basis.

Breakdown of hotline enquiries, 2020, %



In 2020, the hotline received 1,096 requests. The most frequent issues related to labour relations, including the quality of labour relations (496), worker transportation (84), and labour compensation (69).

In 2020, an extra hotline was set up due to the COVID-19 pandemic. The Steel and Coal segments have 24/7 corporate hotlines, which employees can address with questions and problems. EVRAZ North America employs external providers for this purpose.

COVID-19

The absolute priority of the Group is the life and health of its employees. In 2020, measures were taken to protect personnel from COVID-19.

The working hours of office staff have been adjusted in order to reduce the number of mass gatherings. EVRAZ has moved most office employees to a remote working format. New laptops were purchased and additional equipment and software

installed, which facilitate efficient and safe remote working conditions. All meetings are held remotely using modern conference and video call applications. All mass business, sporting and entertainment corporate events were postponed or cancelled. Canteen schedules were adjusted and the number and format of shift meetings at production facilities are currently being optimised.

In addition, EVRAZ has been providing staff and their families with necessary psychological assistance during the COVID-19 pandemic. EVRAZ assesses the potential psychological impacts related to the preventative measures being undertaken as a result of the pandemic.

See more details in the Impact of COVID-19 section on **pages 30-31**

Case study

EVRAZ releases app to prevent the spread of COVID-19

EVRAZ is rolling out an app, called Antivirus, to promptly alert employees of their possible exposure to the COVID-19 virus. The app is based on the Stop Corona application, which was developed jointly by Accenture and the Austrian Red Cross to more effectively identify symptoms of the novel coronavirus infection.

Antivirus will offer a checklist developed by EVRAZ in case of COVID-19 infection, as well as general recommendations based on Rospotrebnadzor requirements. The app will anonymously exchange data with employees' devices located nearby (automatically via a Bluetooth connection). If an employee suspects that they might have COVID-19, all their contacts will be alerted via the app and instructed to self-isolate, helping to break the chain of virus transmission.

Outlook for 2021 and the medium term

Learning and development

The Group plans to launch LMS – the Learning Management System. The system will incorporate all types of training and development courses and aim to make the learning and development process transparent and accessible for all personnel, from managers to employees.

In 2021, EVRAZ will continue with efforts to develop internal coaches, as well as standard competency and skills development programmes.

Performance as an employer

EVRAZ has plans to create an employer brand. In 2021, it will establish a communications campaign and outline the development strategy.

Motivation

In 2021, EVRAZ will develop and introduce unified salary merit increase principles for production assets' employees below the level of shop heads and mine directors based on multi-factor assessment of each employee's performance. This approach will allow the assessment of the individual contributions and efforts of each employee, increasing the transparency of the relationship between performance and pay rises and boosting the transparency and reliability of communications between the employee and the employer.

Other goals for 2021 include:

- Continuing to implement the grading system in the Coal segment.
- Completing the transition of all divisions to the unified pay system.

Social policy

EVRAZ will also continue to roll out its programme to promote healthy lifestyles and healthcare in the Urals division and extend this programme to the Siberia division.

Other goals for 2021 include:

- Adjusting the strategy for collective bargaining agreements.
- Unifying social business processes and pooling them into one portal.

COMMUNITY RELATIONS

Approach

Guided by the international principles of corporate social responsibility, EVRAZ strives to make a meaningful contribution to the regions where it operates. In 2020, the Group focused its community relations efforts on COVID-19 prevention and response.

An important aspect of this work involved engaging with employees and the public about the actions that EVRAZ is taking to fight the pandemic. This information included safety precautions people can take, ways how to diagnose infection and where they can receive medical care. The Group also promoted a social media challenge to provide medical workers with protective equipment and disinfectants.

Throughout the year, EVRAZ continued to implement its programmes supporting projects in education, sport, ecology, urban development and charity. Despite the new restrictions and risks associated with the pandemic, the Group sought to foster a meaningful dialogue with all stakeholders.

The Group's charity funds in the Urals and Siberia select projects based on the EVRAZ Social Investments Guidelines. Priorities include supporting families in need, orphanages and veterans, financing educational, sport and cultural projects, as well as subsidising healthcare and environmental protection programmes.

In 2020, EVRAZ has conducted an analysis of its charitable activities and surveyed the residents of the cities where its operations are located. The residents believe that EVRAZ should provide better health care support, including support of children with disabilities, improvement of urban environment and leisure spaces. In this regard, EVRAZ plans to update its corporate social responsibility priorities and develop dedicated programs for the next 5-10 years.



Federal and regional events

EVRAZ organises events to support sport, the environment, and the social and cultural development of cities. It also participates in national programmes, as well as federal and international forums. Due to the restrictions imposed to prevent the spread of COVID-19, most events in 2020 were held online or in a hybrid format.

During the reporting period, the Group participated in the "Innosocium" nationwide competition of social projects and the WorldSkills Hi-Tech

national championship of working professions. It was also a strategic partner of the INNOPROM International Industrial Fair. In addition, EVRAZ partnered with the "Ecology of Russia. Regional Aspect" online marathon, which Kommersant Publishing House held in Siberia.

In 2020, EVRAZ partnered with RUSAL to organise the third annual "Create. Embodiment. Evaluate" project workshop. This educational event was part of the "EVRAZ: City of Friends — City of Ideas" grant

contest and RUSAL's "School of Urban Change" social programme. More than 500 people from 80 Russian cities participated in the online workshop.

EVRAZ supports the Novokuznetsk Drama Theatre and the "Science for Children" Endowment Fund, as well as Moscow's Meshchersky Park and Documentary Film Centre. The Group also assists the "Connection" Deaf-Blind Support Foundation and other local charitable organisations.



Awards

In 2020, The Wall Street Journal (WSJ) ranked EVRAZ second in its list of the top 10 companies at management environmental risk. This was part of the WSJ's ranking of the world's 100 most sustainably managed companies. In explaining its decision, WSJ cited the Group's waste management efforts and focus on energy efficiency projects.

In 2020, EVRAZ was recognised at the Association of Communications and Corporate Media Directors of Russia's annual Best Corporate Video competition. The Group's videos "Stronger than Steel", "The Choice is Yours" and "IT Transformation at EVRAZ" won first or second place in the "PR Video", "HSE Video" and "IR Video" categories.

At the InterComm-2020 awards, the EVRAZ project "People's Correspondent. To the Factory? To the People!" won the "Dream Job" nomination. The "Risk Management" project also took the silver prize in the "Team Energy" nomination.

Brand Finance, a consulting agency that has been ranking global brands for more than 20 years, named EVRAZ among the year's 50 strongest Russian brands.

The EVRAZ News corporate newspaper won the "Best Corporate Media in the Metallurgical Industry of Russia and the CIS — 2020" competition. The award was presented by Metal Supply and Sales magazine.



Public organisations and business associations

EVRAZ is a member of key industry, business and charity associations, including:

- Russian Managers’ Association.
- Russian Union of Industrialists and Entrepreneurs.
- Russian Steel.
- Russian Metallurgists’ Association.
- Steel Construction Development Association.
- National Association for Subsoil Examination.
- Association of Railway Product Producers.
- Russian Railways Consumer Council.
- Donor’s Forum.

Key projects

EVRAZ for kids

EVRAZ participates in various federal youth programmes and works closely with academic institutions. The Group finances the purchase of school supplies and sport equipment, grants scholarships and provides vocational guidance for students. It also offers training in accordance with the WorldSkills methodology, arranges work study programmes for students and provides internships for graduates.

EVRAZ places a high priority on supporting children in orphanages and children with special needs. These efforts include ongoing programmes that provide assistance and rehabilitation for children with health limitations and cerebral palsy.



Case study

In December 2020, EVRAZ partnered with the “Gift for an Angel” charity fund to launch the “School for Special Parents” online project in Siberia.

The project offers a five-month home rehabilitation training programme for 30 parents of children with cerebral palsy

in Novokuznetsk and Mezhdurechensk. The parents will receive training from leading national experts in speech therapy, psychology, physical therapy, rehabilitation and occupational therapy.



EVRAZ: City of Friends – City of Ideas

The “EVRAZ: City of Friends – City of Ideas” grant contest aims to engage people to improve public spaces, protect the environment and develop social initiatives. The project seeks to increase participation in social design, urban improvement, environmental education and preservation of urban natural resources. The programme provides seminars and business planning training for potential grant recipients.

Since 2017, the contest has been held in four cities where the Group operates. In 2020, the contest received 193 applications from Siberia and 142 from the Urals. Of these, 44 projects received grants totalling RUB14.5 million. Overall, the projects received more than 78,000 votes and the programme’s website had 136,000 visitors.



Case study

Several “EVRAZ: City of Friends – City of Ideas” projects were implemented in 2020.

The Group helped to set up a multifunctional lean production lab at Siberian State Industrial University. The lab uses active and interactive teaching methods, including via e-learning and distance learning technology, to teach students the principles of lean production.

EVRAZ also helped Nizhny Tagil’s Children’s and Youth Centre to create a new facility called the “Astrocentre”. The programme aims to provide children a modern understanding of how the universe is structured. The centre also holds space-themed public events, excursions, seminars and lectures.

EVRAZ for cities

EVRAZ invests to improve urban infrastructure in cities and towns in the regions where it operates. The Group sponsors medical, educational and cultural institutions and projects. In 2020, supporting healthcare facilities became a top priority due to the COVID-19 pandemic.



Case studies

- In Kemerovo, Sverdlovsk and Tula regions, EVRAZ acquired protective gear and equipment for regional medical, social and educational institutions. The Group outfitted a modern laboratory for the Centre for Hygiene and Epidemiology in Sverdlovsk region. It also purchased ventilators for hospitals in Nizhny Tagil and Kachkanar, as well as medicine and medical equipment to supply oxygen to patients with pneumonia. An ambulance was provided for the doctors at the Nikomed medical facility. EVRAZ also provided funding for the construction of a municipal infectious disease hospital in Novokuznetsk. In addition, the Group joined the Far East and Arctic Development Fund’s initiative to help regions in Russia’s Far East Federal District to fight COVID-19.
- For the 90th anniversary of Novokuznetsk’s Siberian State Industrial University, EVRAZ provided funding to create two research and educational centres. The first is focused on Environmental Geology and the second functions as a Digital Competence Centre.
- The Group helped to create the “History of Metallurgy” museum complex at the Mosolov Museum Estate in the Tula region village of Dubna. The museum was created and the estate was restored in preparation for the celebration of the 500th anniversary of the construction of Tula’s Kremlin.

EVRAZ for sport

EVRAZ strives to develop sport infrastructure in the cities where it operates. The Group supports amateur and professional sport

teams, and sponsors national and regional competitions. EVRAZ also works to popularise sport and healthy lifestyles

among its employees and their family members.



Case study

This year EVRAZ held the 6th High-Five! Race, in a combined format. Participants had one week to perform a run in an individual mode. They could choose the route they took, and the distance for adults was five kilometres and for children one kilometre. Each runner shared their route and time on the race website, could view their position in overall standings, and received an e-diploma for taking part. Those

who began preparing in advance had an opportunity to take a course of 16 trainings conducted by guest trainers in running and general physical training and published weekly on the race website. High five! brought together people from 36 cities, with the youngest participant aged younger than three, and the oldest being 70 years old.

EVRAZ volunteers

While EVRAZ does not have an official policy regarding volunteering, for many years the Group’s employees have been helping people in difficult situations. These efforts include supporting children’s institutions, as well as organising various sport and social events.

For example, employees of EVRAZ ZSMK have been sponsoring two orphanages for more than 70 years: Orphanage No. 95 and Island of Hope. In 2020, the plant’s

women’s public organisation, management and primary labour union continued to work on the social adaptation of orphans and children left without parental care. The children are taught independent housekeeping, cooking, cutting and sewing skills. They also attend vocational guidance classes, engage in sport and competitions, and visit cultural events. In addition, material aid is provided to orphanages. In 2020, many events were held online.

Participants in the “EVRAZ Beauty — 2020” competition in the Urals held creative workshops for children with health limitations. They also assisted with equine therapy classes.

The Group’s employees volunteered to give New Year gifts from EVRAZ to children with health limitations.



New projects

In 2020, the Group continued to develop a comprehensive communications strategy that focuses on digital channels as the most relevant format during the COVID-19 pandemic.

Crisis communications: EVRAZ Against COVID-19

In 2020, the Group updated its internal corporate portal with two new pages. The first, “EVRAZ Against COVID-19”, provides current information about the efforts that it is taking to fight the pandemic. The second, “Secure Office”, contains workplace policies and COVID-19 prevention services in the office of the management company.

The Group’s Russian and North American enterprises organised regular mailing to the employees of EVRAZ against COVID-19 and Coronavirus information bulletins. They provide up-to-date information about how the pandemic is impacting the Group, country and world. They also contain recommendations for employees to follow, as well as information about helpful internal and external services.

In Russia, more than 40,000 EVRAZ employees received a phone call with a recording of the renowned sport announcer Nobel Arustamyan. He offered them information about COVID-19 prevention and recommendations on how to stay healthy in their leisure time.

Throughout the pandemic, the management of EVRAZ has focused its business media communication strategy on the Group’s COVID-19 prevention measures and sustainability efforts.

EVRAZ strives to provide transparent information to employees and the broader public. As part of these efforts, the Group’s corporate media has published 389 articles and 11 videos about pandemic

safety measures. EVRAZ released a joint video project with Komsomolskaya Pravda Publishing House called “You Can’t Weld Metal Remotely”. The Group has also produced the “Thank You” video series, a separate series of social media publications with the online artist Gudim about safety during the pandemic, as well as the “What I’ll Do After” project. Overall, these publications reached more than 1.2 million users.

In Russia, EVRAZ held a social media challenge called “We Don’t Risk” on VKontakte and Instagram. For each post or story made as part of the challenge, the Group sent masks and disinfectants to medical workers in the cities where it operates.

Brand update

In 2020, EVRAZ refreshed its corporate brand to reflect its goals with the new tagline “For A Better Future”. The updated brand reflects the Group’s commitment to continuous development together with its clients and partners. It also brings out the expertise and global outreach of its business, emphasises the synergies among its assets and highlights its social responsibility.

The new brand concept was developed together with international branding agency Siegel+Gale. All core components of the brand were modernised, including positioning, communication platform attributes and visuals. The update covered the EVRAZ brand and sub-brands.

Corporate media ecosystem

In 2020, the Group created an editorial office to coordinate its online and offline corporate media efforts. This includes the EVRAZ News corporate newspaper and EVRAZ TV, as well as the Group’s web portal and social media presence.

This effort has driven quantitative and qualitative improvements in the production of multiplatform content. The editorial team has created more than 4,000 minutes of video and more than 1,700 pieces of content, reaching 7.5 million users.

In the past year, EVRAZ has more than doubled the size of its social media audience on VKontakte, Odnoklassniki, Facebook, Instagram and YouTube to 36,100 subscribers.

In addition, the editorial team has streamed 42 broadcasts via corporate channels available only to the Group’s employees. This includes town hall meetings with senior executives, staff award ceremonies and other corporate events.

“People’s Correspondent. To the factory? To the people!”

Inspired by the Russian travel show “Heads and Tails”, 12 young EVRAZ employees visited cities in Siberia and the Urals where the Group has facilities. Each city was featured in an episode that paired two presenters, one of whom explored local tourist sights while the other visited a production asset.

The “People’s Correspondent” series was broadcast on the EVRAZ YouTube channel and social media accounts, as well as local television stations. Overall, they received more than 1.46 million views and around 6,000 reactions.

The presenters explained complex technological processes to the audience in an easily understandable manner and shared interesting details about the production facilities. They also highlighted unusual tourist sights and interesting historical facts about each of the cities.

ANTI-CORRUPTION AND ANTI-BRIBERY

Our approach

EVRAZ has always striven for consistency in its strict compliance with the Law of the Russian Federation No. 273 “On Preventing Corruption”, the UK Bribery Act, the US Foreign Corrupt Practices Act and other relevant local legal equivalents. Battling bribery and unethical practices are core aspects of EVRAZ’ anti-corruption efforts.

The Group has a developed system of well documented procedures that define the day-to-day routines of managers appointed to monitor compliance with applicable anti-corruption laws. Today, compliance specialists scrutinise all tender procedures, check potential and existing business partners, vet prospective new candidates and ensure that the principles set forth in the Anti-corruption Policy, Code of Conduct and other relevant internal regulations are followed conscientiously and fully.

Policies and regulations

In 2020, EVRAZ continued to review its key documents defining the norms of ethical and responsible behaviour for employees in particular circumstances. The Code of Conduct and Anti-corruption Policy, which were previously updated to reflect changes in processes that the Group has made, were joined by the Regulating Conflict of Interest Situations Policy and the Sponsorship

and Charity Policy. These new and updated policies enable compliance managers to refer to clearer definitions and a wider range of recommended patterns to avoid risks of corruption. All relevant policies are available on the corporate intranet and employees bear personal responsibility for full compliance with them.

All internal policies and procedures related to anti-corruption compliance consistently encourage employees to seek guidance from compliance managers whenever they have questions about the expected course of action in difficult situations. The Group urges everyone to voice concerns about any known violations.

Today, managers responsible for monitoring compliance with applicable anti-corruption laws are present at every major asset and responsible for controlling risks and handling anti-bribery matters. They ensure that all possible non-compliance with policies receive proper attention immediately; monitor charity payments and hospitality spending; and act on whistle-blower allegations of possible bribery, corruption, fraud and malfeasance. They then present their findings and recommendations to local managing directors, the Group’s compliance manager and specialists reporting to the vice president for compliance and asset protection. The latter reviews investigation results to liaise with senior management as necessary.

The Group’s compliance manager regularly updates the Audit Committee on the status of ongoing anti-corruption efforts and prepares memos at the committee’s request.

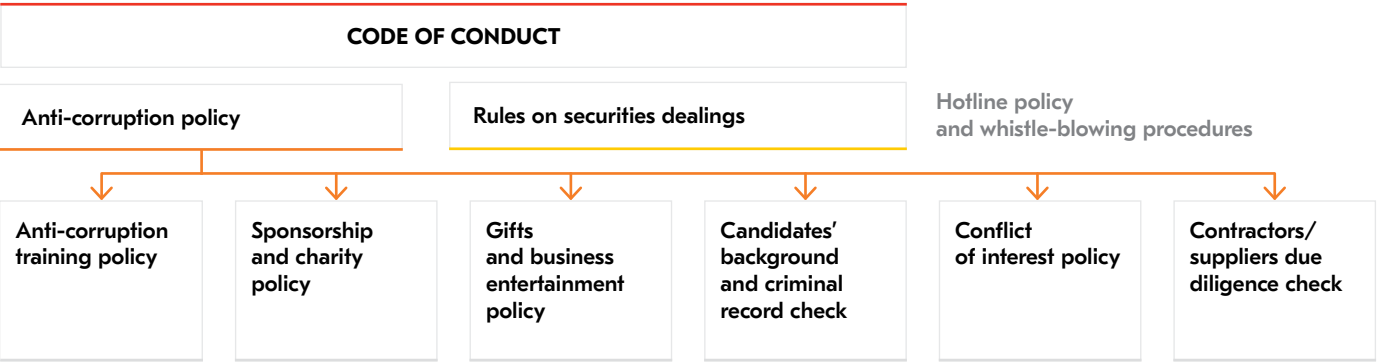
Employees have access to a brief summary of relevant anti-corruption policies as well as links to the full texts of top-level documents on the corporate intranet. Where necessary, the compliance managers discuss the essence of the adopted rules and procedures with all interested parties. New employees are obliged to familiarise themselves with the Code of Conduct and the Anti-corruption Policy on their first day of work. They are also briefed about other relevant internal documents and procedures that pertain to the Group’s anti-corruption efforts.

Risk analysis

At the end of each calendar year, compliance managers analyse potential anti-corruption risks across all assets. For this purpose, they consider every business process and redefine key risk areas if necessary. Each area is then evaluated to see if existing controls and procedures effectively mitigate the associated risks. In its Anti-corruption Policy, EVRAZ declares zero tolerance for bribery and corruption.

The Group investigates carefully and discreetly all signals suggesting potential violations of applicable law and internal anti-corruption policies.

Key Group policies to regulate anti-corruption and anti-money laundering efforts



Examples of anti-corruption risks tested in the Group’s business processes

In the process “sale of goods, works and services”, compliance managers define risk indicators to look and then test for:

- Goods sold at prices and on terms that are significantly different from the market average.
- Goods, works and services sold via middlemen and agents when direct contracts are possible.
- Discounts or mismatched conditions in supply contracts that contradict the Group’s trade policy requirements.

Other corruption risk indicators here include unexplained/unjustified bonuses to the buyer based on the amount of purchased products, lack of primary

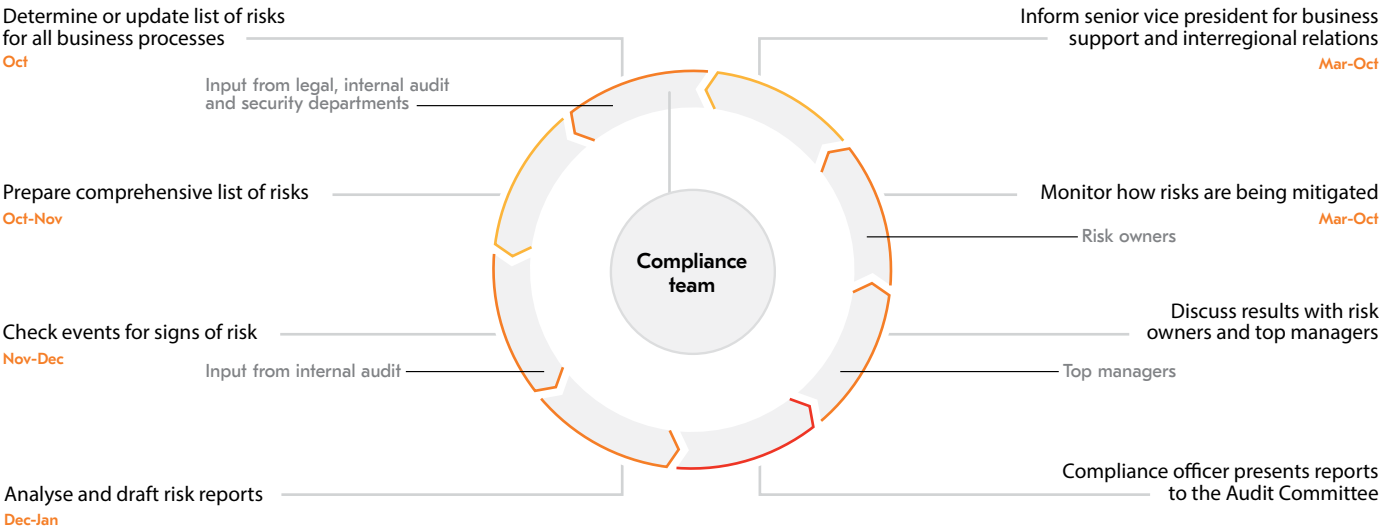
and shipping documentation, and granting a delay in payment that violates the current internal requirements. So, random transactions — recent or past — are singled out and carefully considered for signs of said risks. Should compliance managers reveal systemic or significant violations of anti-corruption procedures, this is drawn to the attention of the Group’s compliance manager and the top management, locally or at the Group level. Compliance managers then ensure that risks are properly addressed and mitigated.

Similarly, compliance managers further examine every major process for signs of corruption risks, unethical practices

or bribery. So, in another example, they consider charity and sponsorship payments to make sure:

- There were no violations of the approval procedure for charity and sponsorship projects.
- All the required and correct documents were properly supplied for consideration to decide if the charity or sponsorship payment can be made.
- Potential recipients of charity or sponsor support are allowable in accordance with the internal policy.

Anti-corruption risk management cycle



As the Group's business processes are stable and consistent from year to year, compliance managers typically examine the same following processes for signs of risk:

- Purchase of goods or services.
- Payments.
- Sale of goods, works and services.
- Business gifts, hospitality, entertainment and travel expenses.
- Charity and sponsorship.
- Interaction with government authorities.
- Vetting contractors or customers.
- Contract approval.
- Group property management.

In January 2021, the compliance managers involved in the abovementioned processes assessed the risks based on their own statistics from checking tenders, approving contracts, monitoring purchases, conducting inventory checks, etc. The compliance managers routinely meet with the managers responsible for each asset to inform them of known or newly revealed risks and threats, as well as to recommend further actions. The compliance managers then monitor any corrective measures undertaken to mitigate the risks discussed. In the event that the necessary follow-up is lacking

or inadequate, the matter gets presented to the vice-president for compliance and asset protection for consideration.

In February 2021, the compliance officer presented to the Audit Committee the analysis for 2020, which revealed no significant violations of anti-corruption statutes or cases of non-compliance with Group policies.

Key developments in 2020

In 2020, the Group's compliance function did not initiate any investigations into signs of corrupt practices involving state or public officials. However, compliance managers' own leads regarding potential fraudulent schemes between unscrupulous managers and suppliers/providers led to investigations. In the past year, there were four cases of fraudulent intent, namely lobbying for money and kickbacks. The employees involved were dismissed and vendors banned. The compliance function considers ongoing preventive efforts, effective existing controls, the tone from the top and employees' adherence to the anti-corruption requirements as effective and adequate for the existing risks.

In 2020 alone, close to 2,200 managers throughout the Group completed online anti-corruption training developed by a leading international provider in the field. Also in 2020, the compliance officer developed several internal EVRAZ training modules to familiarise employees with or refresh their active knowledge of the Anti-corruption Policy and the Code of Conduct. In 2021, the new approach will be developed further to create a full-scale internal training

programme in anti-corruption operated from the EVRAZ Learning Management System. This will greatly improve the capacity to train new employees, as well as to help existing ones to refresh their knowledge of anti-corruption principles and best practices. Another initiative launched in December 2020 and currently being tested is to invite vendors to learn the anti-corruption principles of EVRAZ. So far, close to 200 managers from contractor companies have passed this special course. This trend will also develop further in 2021.

The key learning objectives of all internal courses is to:

- Confirm the Group's position and ensure full compliance with applicable anti-corruption laws.
- Explain existing controls to manage the risk of bribery and corruption.
- Raise awareness about the damaging effects of bribery and corruption.
- Draw attention to red flags and warnings about possible illegal payments or other corrupt activities.

For additional information, see the EVRAZ Sustainability Report for 2020, which is to be published in May 2021

Outlook for 2021

In 2021, more anti-corruption policies (for example, on vetting vendors, gifts and hospitality) will be updated to reflect existing and best practice, as well as the changes implemented within the compliance system since its launch. The Group plans to fully transfer to internal training modules and tests to make anti-corruption courses much more specific and relevant to life at EVRAZ.

CUSTOMER-CENTRIC R&D

In 2020, EVRAZ' R&D centres worked to improve existing products and to extend the Group's portfolio. Advances were made across the main product lines: rails, wheels, beams, long products, plates, tubular goods and vanadium. The products offer customers such benefits as better performance, longer product lifetimes and improved material properties to meet their growing requirements. The Group aims to continue to expand its work on basic research and new product development in 2021. EVRAZ' R&D centres use the network and vast knowledge of the Group's experts and metallurgists. They also set up partnerships with scientific institutions and universities to benefit from the state-of-the art research and practical applications. "Customer first" will remain the hallmark of EVRAZ' R&D work in 2021 and beyond.

EVRAZ' R&D SYSTEM

In 2020, EVRAZ announced the creation of an integrated system of R&D centres to develop innovative products and solutions. It builds on existing R&D capacity and many projects were already in the pipeline. During the year, the R&D centres continued to work on key product areas and meeting customer requirements from the early stage of development to the final certification phase. The product development process is designed to understand client needs and unlock new market opportunities.

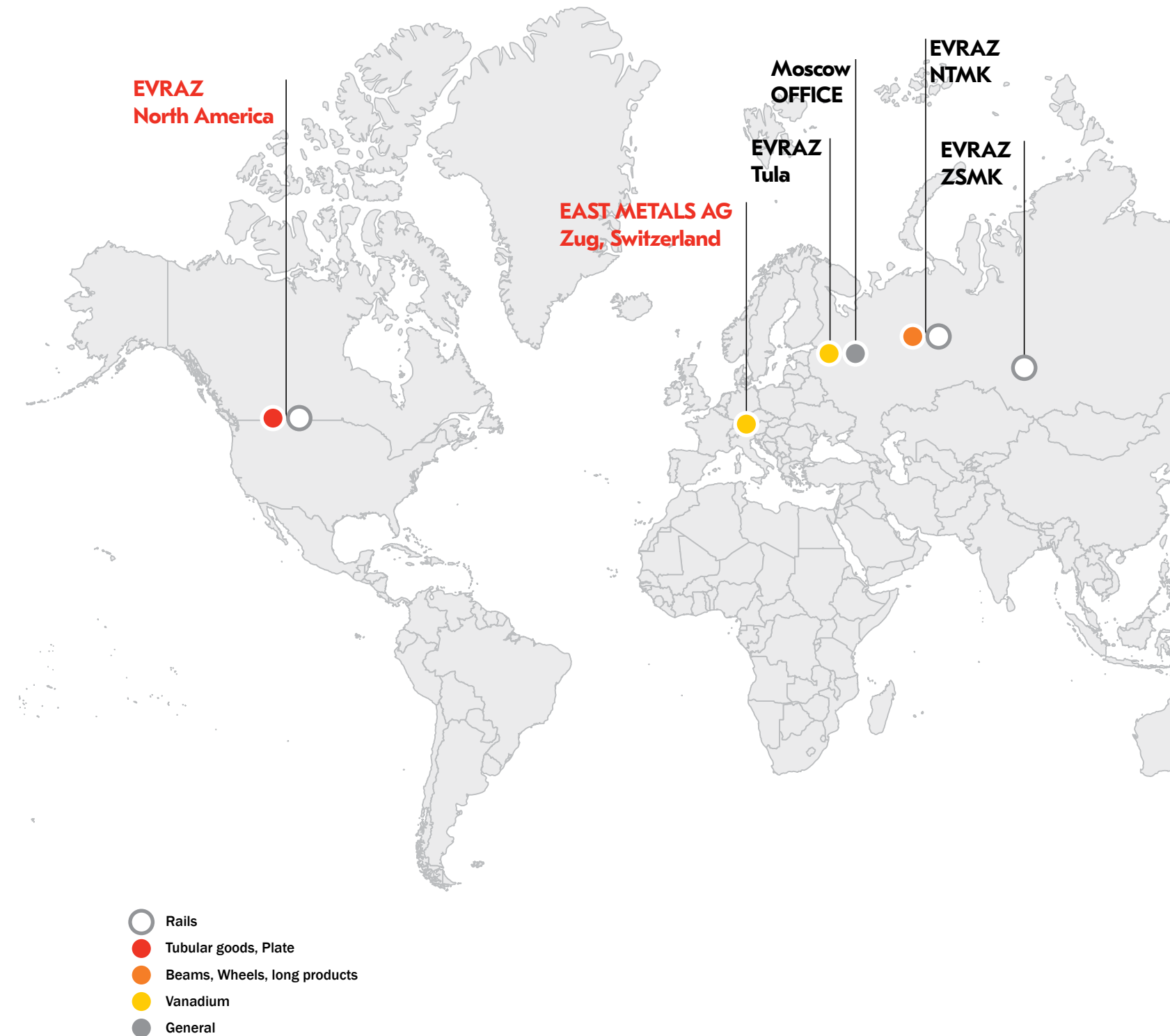
R&D requires significant time and resources. EVRAZ' product development process takes

place in close connection with external partners, including laboratories, scientific institutions and universities to benefit from the latest breakthroughs in the field. The Group collaborates with its customers to accelerate the process of testing and certifying products, as well as to bring them to the market, from short-term improvements to new product launches.

EVRAZ' R&D system is designed to make full use of the product and geographical expertise of the centres. The Moscow office focuses on managing the product portfolio. The North American centre specialises in the portfolio from the Group's

US and Canadian plants and has expertise in developing high-quality line pipes, OCTG and rail products capable of withstanding the harshest environmental conditions. R&D experts in Switzerland and Tula, Russia, focus on the use of vanadium in steels and the development of new recovery technologies respectively. At NTMK, the centre concentrates on expanding the product portfolio for wheels, beams and grinding balls and is expanding its expertise to the hardening of rail heads. At ZSMK, the centre focuses on premium rail products for the Russian and export market.

EVRAZ R&D CENTRES



EVRAZ North America

New! R&D across EVRAZ North America has been reorganised into a single function. This newly formed structure allows for better resource and knowledge sharing and covers all product lines: line-pipe, OCTG, plates, rails and long products.

The new APEX G2HH rail – A top seller in North America

EVRAZ Pueblo has developed, patented and put into production an new ultra premium rail alloy designed to withstand the most challenging conditions in North America. The rail grade was designed to achieve 430 HB average hardness at carbon levels that are universally acceptable for all of the NA (North American) Class I Railroad customers, a benchmark only achievable in the past by increasing carbon content beyond levels deemed acceptable by many of EVRAZ’ largest railroad customers. This unique approach to alloy design, combined with state of the art head hardening, achieves superior strength and hardness levels to resist wear and rolling contact fatigue damage. It simultaneously achieves enhanced ductility and fracture toughness compared to softer rail grades.

The APEX G2HH rail has been fully qualified for running rail and special trackwork applications by five of the seven NA Class I railroads, and testing is continuing with the remaining two operators.

EVRAZ Vanadium R&D centre (East Metals AG, Zug)

New! Established in June 2020, the Vanadium R&D centre is promoting vanadium usage in the steel industry through cooperation with world-class research organisations, in order to promote sustainable and diversified demand for vanadium from the global steel industry.

Steels that are microalloyed with vanadium exhibit remarkable properties that are able to address several current challenges facing the industry. Given recent research and industrial trials, the Group has the capacity to redesign steels from the nanoscale up. To bring these benefits to market, EVRAZ’ vanadium research is shaping steelmaking processes by coupling vanadium’s unique properties with appropriate metallurgical process designs. This results in microstructures that are precisely tailored to specific market needs and which can be produced efficiently and economically by modern steel mills.

DT400IK rails – increased wear resistance and contact fatigue strength for work in horseshoe curves under high loads. The service conditions of the mountain pass sections of the East Siberian and Trans-Baikal Railways, part of the Trans-Siberian trunk line, are among the toughest in the world. Severe operational conditions come together, including high tonnages, low temperatures (as low as minus 60°C), a combination of track ascents and descents and small radius curves. Therefore, special rails are required for these conditions. These offer a combination of superior hardness and strength, while remaining ductile. Such a new generation rail was developed by EVRAZ ZSMK and is called the DT400IK.

EVRAZ NTMK

The NTMK plant has the most versatile product mix within the EVRAZ group, producing high-quality beams, rails, wheels, grinding balls, merchant bars and other long products for the Russian market and export destinations. Group experts have continuously expanded the product mix using the New Product Development process along with R&D work on rail head hardening technology and increasing the mechanical properties of larger sized beams and grinding balls. The requirements for wheels are steadily growing. As a result, a new R&D centre with the necessary research and testing equipment is being considered to meet future demand.

The new ECO wheel – evolution in Wheel performance. The new wheels are designed for European and Russian freight cars. They offer lower residual stresses and a high level of fatigue resistance compared to standard designs. It significantly lowers the dynamic impact of the wagon on the track. Operating costs are reduced, the lower wheel weight increases the railcar carrying capacity.



EVRAZ Tula

EVRAZ’ Vanady Tula R&D centre was created to support technological improvements at the plant and to develop new technologies. Located at the hydrometallurgical plant, its primary focus is the improvement of vanadium recovery technology, along with production of value-added products, such as electrolytes for vanadium redox flow batteries. In addition, it is developing chemical and hydrometallurgical technologies for extraction of other valuable elements not currently produced by EVRAZ.

R&D PARTNERSHIPS

Beam Eco system

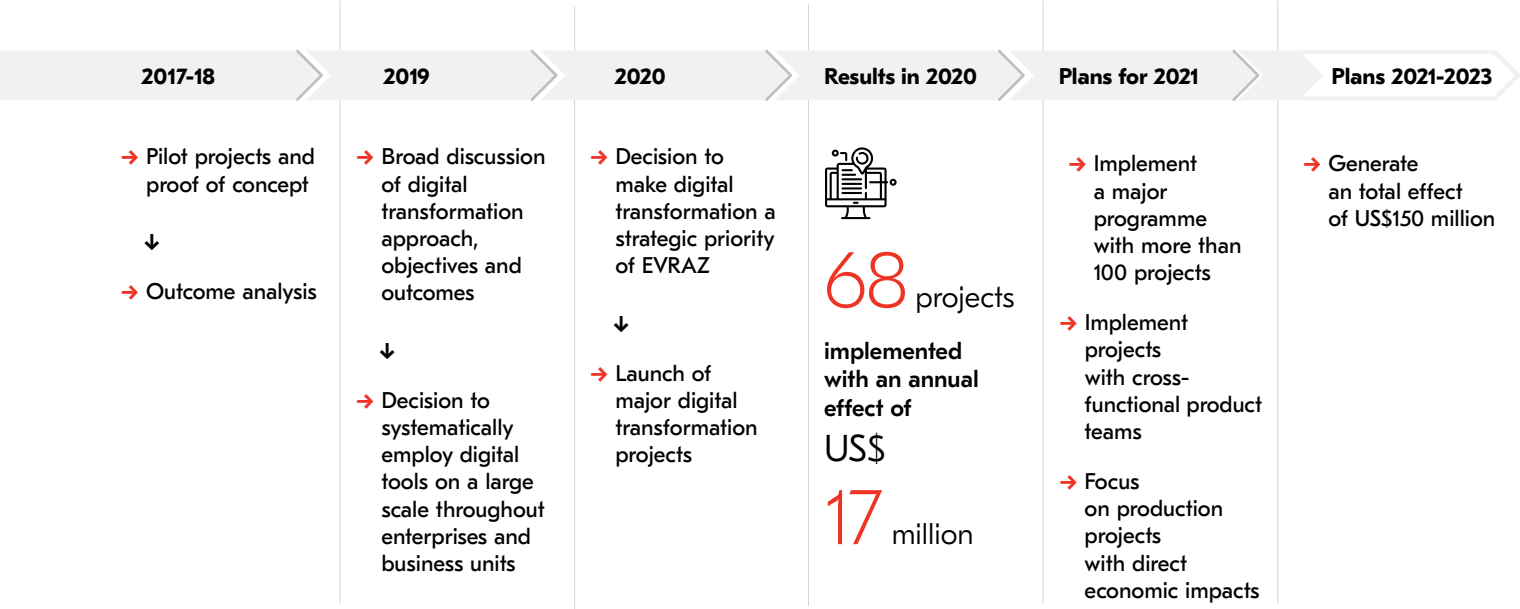
EVRAZ, in partnership with leading Russian Scientific institutes (CNIISK, CNIIST), and engineering companies (including Ferrostroy), are creating new ideas for using beams and other innovative solutions. In addition, it focuses on implementing completed R&D projects in design and construction practices, through trials, development of codes and pilot projects.

Vanadium projects with Swerim and ASPPRC

The Advanced Steel Production and Processing Center of Colorado School of Mines (ASPPRC) is a platform where leading global steel producers, major steel consumers from the automotive and energy industries and the leading suppliers from the steel industry can meet with world class research staff and faculty to collaborate on general steelmaking and steel applications. A bilateral R&D programme has been founded at Sweden’s Swerim, the joint research centre of the Swedish steel and metals industry and academic metallurgical institutions. The programme covers the vital needs of steel producers and steel consumers in Europe.

DIGITAL TRANSFORMATION

EVRAZ DIGITAL TRANSFORMATION PATH



Digital transformation goals

- Improve client service.
- Improve industrial safety.
- Assist operators of complex technological processes in order to improve the efficiency of equipment, reduce costs and improve product quality.
- Enhance efficiency and streamline business processes by eliminating internal barriers.



Key digital technologies

- Advanced analytics based on machine learning and artificial intelligence.
- Basic industrial analytics (modern BI tools).
- Expert systems (from vendors).
- Computer vision.
- IoT (Internet of Things) sensors as data source for analytical and decision making systems.



Read more on [page 16-17](#) →

Digital transformation is closely linked to EVRAZ Business System

The EVRAZ Business System is an important partner in digital transformation project development, planning and implementation throughout the Group's divisions:

- Bottom-up digital innovation.
- Effective interaction within digital product teams.
- Change management.



ADVANCED ANALYTICS PROJECTS IN 2020

Advanced analytics is a trend in digitalisation based on solutions involving machine learning and other artificial intelligence elements. It is a digital transformation priority at EVRAZ.

Advanced analytics systems are forward-looking, predictive and prescriptive. They help manufacturers to make more timely and informed decisions, as well as to improve efficiency and productivity, in the following ways:

- Rapid response to changes in the production process.
- Reduced probability of defects.
- Stabilised concentrate quality.
- Minimised costs for charge and auxiliary materials.

In 2020, EVRAZ engaged an external consultant to help with the successful launch of six advanced analytics projects:

Urals division

- Dynamic ore concentration management at EVRAZ KGOK.
- Optimisation of loading parameters at EVRAZ NTMK's coking plant.

Siberia division

- Dynamic ore processing management at the Abagur ore processing plant.
- Optimisation of extra-furnace processing and ladling at EVRAZ ZSMK's electric steelmaking shop.

Coal division

- Dynamic ore processing management at the Raspadskaya ore processing plant.
- Advanced analytics at the Raspadsky open pit mine's operational control management centre.

CASE STUDIES

Risk Hunting: a unique mobile app

EVRAZ developed the Risk Hunting mobile app with the aim of helping to identify and eliminate production risks. By using the app, Group employees can upload information about unsafe areas or processes at their sites directly to a central database to get advice about how to eliminate the issues and ensure a prompt expert response. Risk reports are automatically sent to dozens of people at EVRAZ, including senior executives.

EVRAZ NTMK's central control room

The concept and minimum viable product were developed for the unified dispatch centre at EVRAZ NTMK. The system contains a series of dashboards displaying the facility's key working indicators: financial, production, performance, quality, energy consumption and HR. The system can be accessed via computers and mobile devices. In 2021, the development of the system's functionality will continue.

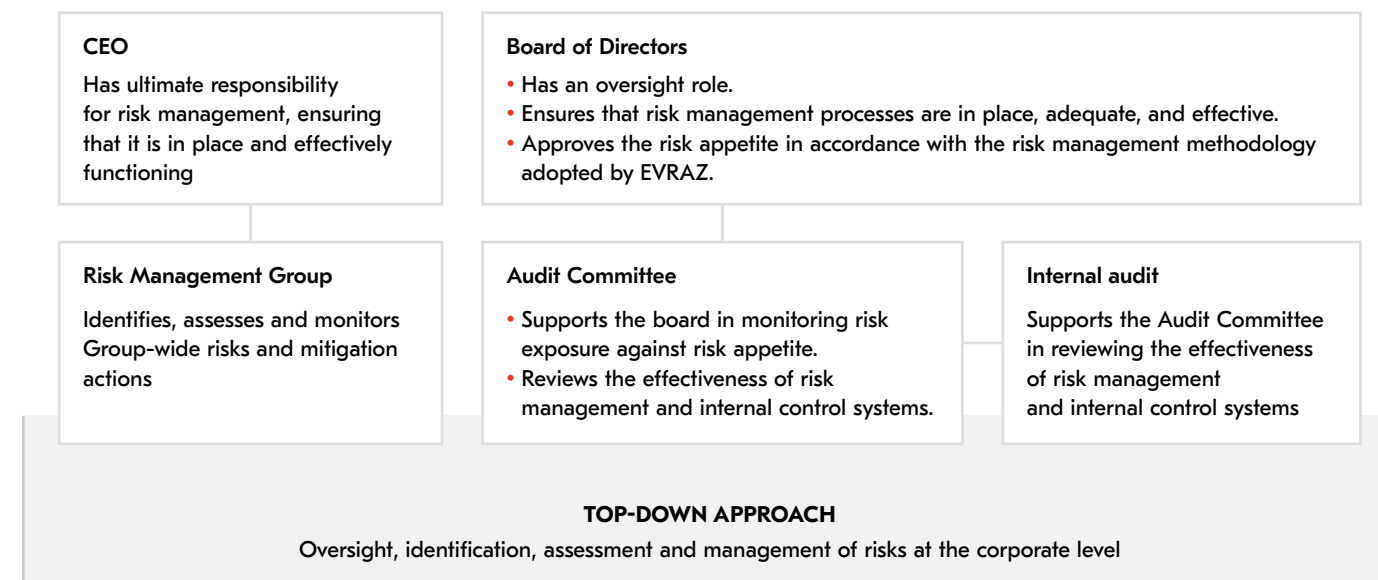
Steel Radar online project

Working with leading Russian metal trading companies, EVRAZ launched an online project designed to develop the ecosystem for steel construction and improve client service. Steel Radar (www.steel-radar.ru) is a resource that aggregates data about the presence of I-beams in the Russian warehouses of traders taking part in the project. Transparent and up-to-date information allows a customer to find the closest warehouse. The site has functionality for searching for availability by region, profile sizes, steel grades and traders.

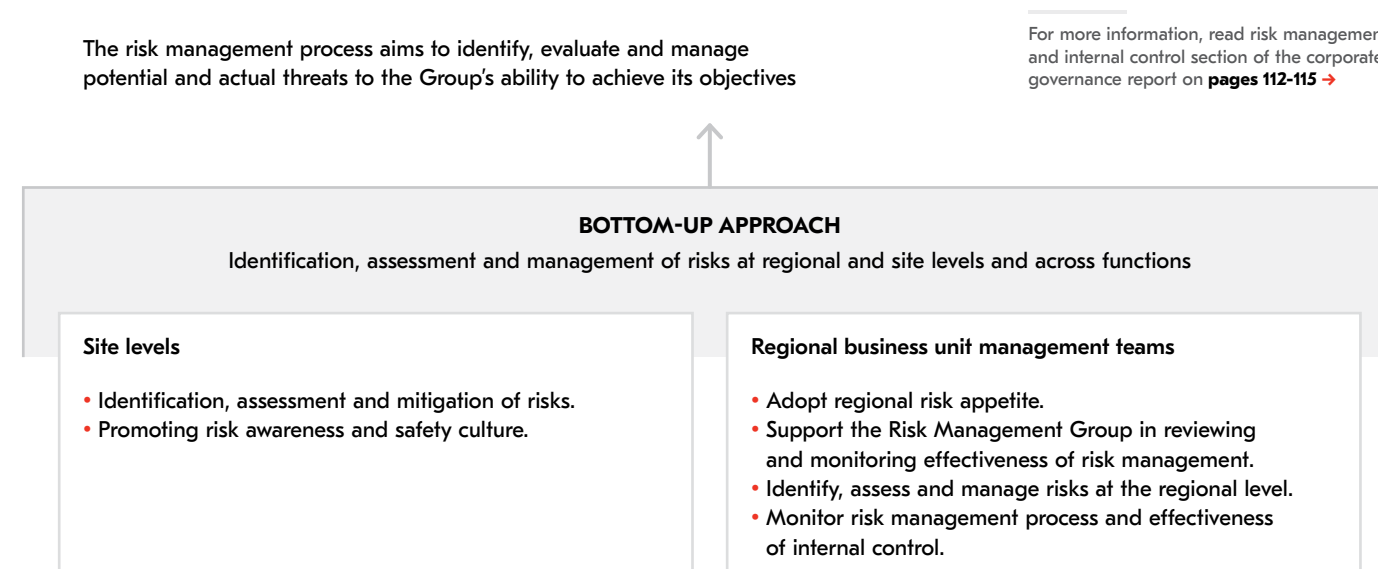
PRINCIPAL RISKS AND UNCERTAINTIES

RISK MANAGEMENT SYSTEM

As a major international mining and steelmaking group, EVRAZ faces inherent business risks that have the potential to negatively impact its operations. Identifying and mitigating risks is one of the most important aspects of the Group's strategy and daily activities. The basic risk management processes that EVRAZ follows are outlined below.



EFFECTIVE RISK MANAGEMENT



Risk assessment in 2020

Identifying and assessing risks, as well as developing measures to mitigate them and monitoring their implementation, are ongoing challenges for both management and internal audit function.

In 2020, management continued to actively manage the risks that the Group faces. The COVID-19 pandemic and heightened market volatility required EVRAZ to carefully monitor the risks that could negatively impact the business. The Group's financial and operating results for the period show that management effectively coped with the challenges posed by this increased uncertainty.

In summer 2020, EVRAZ updated its risk register to account for the current situation. While the composition of its principal risks did not change compared with the previous year, a detailed analysis of their impact and probability of negative consequences for the Group led to a recalibration in the assessment of some of the risks. The Audit Committee carefully reviewed this assessment on behalf of the Board.

The updated list includes risks associated with the possibility of a reduction in output due to increased rates of staff illness. To minimise the likelihood of such a negative turn of events, EVRAZ developed a system of measures aimed at both reducing the incidence of illness, as well as promptly identifying and isolating sick employees. The Group worked to quickly purchase all necessary equipment and materials, as well as to implement new rules and processes aimed at mitigating such risks throughout

its operations. To reduce the risk of illness, a significant portion of the office staff now work remotely. In addition, EVRAZ changed many of its internal processes to improve its efficiency in this new environment.

The assessment also included other risks that were not recognised as principal, eg HR and employee risks (including the risks of lack of skills, failure of succession planning, reduced productivity due to labour unrest or poor job satisfaction), taxation, compliance risks (including anti-corruption and anti-bribery matters), social and community risks, risks related to respect for human rights, and other risks. While the impact and probability analysis suggests that such risks could affect operations to some extent, management believes they are being adequately managed and does not consider them as being capable of seriously affecting the Group's performance, future prospects or reputation.

To enhance its focus and control over the Environmental, Social and Governance risks, in 2020, EVRAZ developed an Environmental Strategy, as well as a Human Rights Policy and a Diversity and Inclusion Policy. Additionally, management began to develop a Climate Change Strategy, the initial results of which were presented in the Climate Change Report published in October 2020. This will provide more transparency on how the Group addresses the related risks.

Discover more in the Climate Change Report: <https://www.evraz.com/en/sustainability/data-center/climate-change-reports/>

As the UK formally left the EU on 31 January 2020, the Group continues to closely monitor the situation and believes that Brexit will not significantly affect its business.

Key developments in 2020 and outlook for 2021

In 2020, EVRAZ continued to roll out the health and safety risk management tools that it has developed. The significant level of employee engagement in the process and heightened focus on safety were among the key aspects that contributed to a reduction in injury rates.

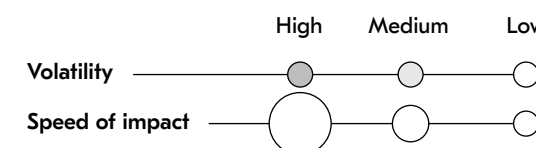
The Group worked to accelerate and strengthen its IT security more quickly after a computer virus impacted its assets in North America in spring 2020. The EVRAZ Information Security Operations Centre also proved its ability to quickly process information about potential information security threats and act promptly to eliminate them.

Given the heightened market uncertainty, the Group revised its investment plans to ensure that its risk exposure did not exceed the established risk appetite. In addition, as part of an ongoing programme to improve project management practices, the risk management approach was revised, the investment project risk register was regularly updated and appropriate employee training was conducted. These measures are intended to ensure more predictable results when implementing investment projects.

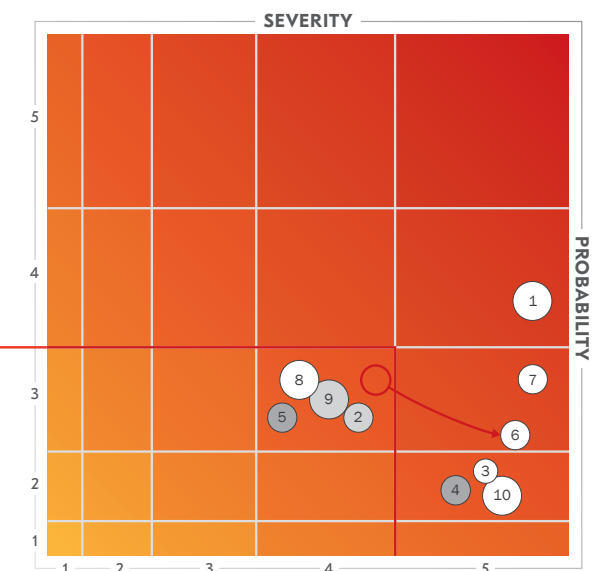
Principal risks and uncertainties heat map in 2020

1. Global economic factors, industry conditions and cyclicalities
2. Product competition
3. Cost effectiveness
4. Potential regulatory actions by Governments, incl. trade, anti-monopoly, anti-dumping regulation, sanctions regimes, and other laws and regulations
5. Functional currency devaluation
6. HSE: environmental
7. HSE: health, safety
8. Business interruption
9. Digital effectiveness, effective, efficient and continued IT service
10. Capital projects and expenditure

Risk appetite level



Risk migration, yoy



During the preparation of the Climate Change Strategy in 2020, EVRAZ performed scenario analysis, as well as identified and assessed climate risks and opportunities. The transitional and physical risks that were identified have not yet had any impacts on the Group's operations and do not currently pose a critical risk to its business, as currently projected.

Discover more in the Climate Change Report: <https://www.evraz.com/en/sustainability/data-center/climate-change-reports/>

Emerging risks

In addition to principal risks, management pays particular attention to threats that could become significant over a certain time, known as emerging risks. The Group defines these as events that could meaningfully impact EVRAZ' activities and results,

Environmental risk has always been a topic of focus for management and is recognised as a principal risk for EVRAZ. The Group mitigates the environmental risk by implementing air emission reduction programmes at all plants, participating in developing greenhouse gas emission regulations in Russia, implementing energy efficiency projects and, as a result, reducing greenhouse gas emissions.



The COVID-19 pandemic did not have a material impact on the risk management processes in use at EVRAZ in 2020. Overall, the Group's financial and operating results indicate that it implemented effective measures to overcome the uncertainty seen during the period.

but have a lower likelihood of materialising in the next three to five years. They include:

- Climate change.
- Liabilities incurred due to environmental impairments.



The management works continuously to monitor and manage emerging risks and devise mitigation measures.




Principal risks and uncertainties

Our basis		Strategic priorities		Direction of risk change
	Sustainable development	<input type="checkbox"/> Debt management and stable dividends		— No changes
	EVRAZ Business System	<input type="checkbox"/> Prudent CAPEX		▲ Increased
		<input type="checkbox"/> Retention of low-cost position		▼ Decreased
		<input type="checkbox"/> Development of product portfolio and customer base		

Risk	Description and impact	Risk owner(s)	Mitigating/risk management actions in 2020	Direction/reason for change
1. Global economic factors, industry conditions and cyclicalilty <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	The operations of EVRAZ are dependent on the global macroeconomic environment, as well as economic and industry conditions, eg the global supply and demand balance for steel, iron ore and coking coal, which affect both product prices and volumes across all markets.	CEO, Strategy Committee, Management Committee, Budgeting Committee and other levels	This is an external risk that is mostly outside the control of EVRAZ; however, it is partly mitigated by exploring new market opportunities, focusing on expanding the share of value-added products, further downscaling inefficient assets, suspending production in low-growth regions, reducing and managing the cost base with the objective of being among the sector's lowest-cost producers, and improving the balance sheet/gearing.	—
	The Group's operations involve substantial fixed costs, and global economic and industry conditions can impact its operational performance.		In 2020, the COVID-19 pandemic brought additional market uncertainties. At the same time, management's actions reduced the impact of this risk on the Group's business and operations.	
	New capacities and lower demand amid the economic recession put significant pressure on prices.			
2. Product competition <input type="checkbox"/>	EVRAZ faces excessive supply on the global market and greater competition, mostly in the steel products market, primarily due to competitors' activity and the introduction of new facilities.	VP Sales, VPs of business units	EVRAZ mitigates this risk by expanding its product portfolio and penetrating new geographic and product markets.	—
	Other risks include low demand for construction products and increasing competition in this segment.		It continuously develops and improves its loyalty and customer focus programmes and initiatives.	
	Competition is rising in the rail product segment. The Group also faces excessive supply of slabs on the global market and intensified competition.		The Group also implements quality improvement initiatives and strives to increase the share of value-added products.	

Risk	Description and impact	Risk owner(s)	Mitigating/risk management actions in 2020	Direction/reason for change
3. Cost effectiveness <input type="checkbox"/> <input type="checkbox"/>  EBS	Most of the Group's steel production remains sensitive to costs and prices.	VPs of business units, SVP Commerce and Business Development	For both the mining and steelmaking operations, EVRAZ is implementing cost-reduction projects to increase asset competitiveness.	—
	Given the substantial product share of commodity semi-finished, which requires less customer service and is more cost driven, maintaining a low-cost position is a key business objective for EVRAZ in steelmaking, as well as in the iron ore and coking coal mining businesses.		The Group's focused investment policy is aimed at reducing and managing the cost base.	
	Digitalisation is having a significant impact on the sector, as companies seek to use new technology to support efforts to improve productivity and margins across the value chain. Failure to find digital solutions for the most urgent business problems could reduce operational flexibility and cost advantage.		EVRAZ also seeks to mitigate this risk through the control of its Russian steel distribution network, the development of high value-added products, and the implementation of EVRAZ Business System transformation projects focused on increasing efficiency and effectiveness.	
			In addition, the Group's digital projects help to reduce risks associated with primary equipment and to improve effectiveness. This includes the Advanced Analytics programme, which it launched in 2020 to drive operational efficiency.	
4. Potential regulatory actions by governments, incl. trade, anti-monopoly and anti-dumping regulations, sanctions regimes, as well as other laws and regulations <input type="checkbox"/>	New laws, regulations or other requirements and regimes could limit the Group's ability to obtain financing on international markets, sell its products and purchase equipment.	VP Compliance and Security, VP Legal, VP Sales, VP Strategy and others	EVRAZ and its executive teams are members of various national industry bodies.	—
	EVRAZ may also be adversely affected by government sanctions against Russian businesses or otherwise reducing its ability to conduct business with counterparties.		As a result, they contribute to the development of such bodies and, when appropriate, participate in relevant discussions with political and regulatory authorities.	
	There is a risk of adverse geopolitical situations in the countries where the Group operates.		The Group seeks to monitor potential legislative changes before their introduction, at the point when new laws are being drafted.	
	Other risks include the possibility that EVRAZ could fail to adapt to new market conditions, or could incur losses connected with existing contracts in case of additional sanctions implementation.		EVRAZ has implemented and will further develop procedures to ensure that sanctions requirements are complied with across its operations.	
5. Functional currency devaluation <input type="checkbox"/>	Any significant fluctuation in subsidiaries' functional currencies relative to the US dollar could have a significant effect on the Group's financial accounts, which might impact its ability to borrow.	CFO	While this external risk is mostly outside the Group's ability to control, management works to mitigate its potential impact through proper disclosure and monitoring.	—
			EVRAZ also works to reduce the amount of intergroup loans denominated in Russian rubles to limit the possible devaluation effect on its consolidated net income.	

Risk	Description and impact	Risk owner(s)	Mitigating/risk management actions in 2020	Direction/reason for change
6. HSE: environmental 	<p>Steel and mining production carry an inherent risk of environmental impact and incidents relating to issues as diverse as water usage, quality of water discharged, waste recycling, tailing management, air emissions (including greenhouse gases) and community satisfaction.</p> <p>Consequently, EVRAZ faces risks including regulatory fines, penalties, adverse reputational impact and, in the extreme, the withdrawal of plant environmental licences, which would curtail operations indefinitely.</p> <p>Globally, there is an increase in regulatory scrutiny and pressure, as well as investor and customer expectations.</p>	HSE Committee at the Board of Directors level, as well as at management level	<p>EVRAZ monitors its environmental risk matrix on a regular basis, and it develops and implements mitigation measures in response to these risks. The top management also devotes greater attention to monthly monitoring of environmental risk trends and factors.</p> <p>The Group implements programmes to reduce air emissions and water use at its plants, as well as to improve its waste management practices.</p> <p>EVRAZ has developed an environmental strategy and has updated its list of projects in accordance with it to achieve strategic goals regarding emissions and waste. The strategy is being implemented through dedicated programmes in each division.</p> <p>Most of the Group's operations are certified under ISO 14001 and work is ongoing to bring the remaining plants in compliance with this international standard. EVRAZ is currently compliant with REACH requirements.</p> <p>The Group has begun to develop a Climate Change Strategy, including performing various scenario analyses and identifying appropriate risks.</p> <p>EVRAZ also participates in the development of GHG emissions regulation in Russia. In addition, the Group has achieved reductions in GHG emissions as a positive side-effect of its energy efficiency projects.</p>	<p>^</p> <p>Risk level was increased due to a noted increase in regulatory scrutiny and pressure resulting in a heightened risk impact in 2020.</p>
7. HSE: health and safety 	<p>Inherent HSE risks include the potential danger of fire, explosions and electrocution, as well as risks specific to individual mines, where elevated methane levels, rock falls and other accidents could lead to loss of personnel, outage or production delays, loss of material, equipment or product, or extensive damage compensation.</p> <p>In addition, the breach of any HSE laws, regulations and standards may result in fines, penalties and adverse reputational impacts and, in the extreme, the withdrawal of mining operational licences, thereby curtailing operations for an indefinite period.</p> <p>There is also the risk of infection with COVID-19, which may be associated with the need for a mass quarantine of workers.</p>	HSE Committee at the Board of Directors level, as well as at management level	<p>To mitigate these risks, EVRAZ ensures that its management KPIs place significant emphasis on safety performance and the standardisation of critical safety programmes.</p> <p>The Group is implementing an energy isolation programme, further developing a programme of behaviour safety observations to drive a more proactive approach to preventing injuries and incidents, as well as launching a series of health and safety initiatives related to underground mining.</p> <p>Other measures include implementing maintenance and repair modernisation programmes, launching a downtime management system, further developing the occupational safety risk assessment methodology, as well as analysing the effectiveness of corrective measures.</p> <p>In addition, the Group conducts mass testing of personnel for COVID-19 and has introduced reliable barriers to prevent carriers of the virus from entering its facilities.</p>	<p>—</p>

Risk	Description and impact	Risk owner(s)	Mitigating/risk management actions in 2020	Direction/reason for change
8. Business interruption 	<p>Prolonged outages or production delays, especially in coal mining, could have a material adverse effect on the Group's operating performance, production, financial condition and future prospects.</p> <p>In addition, any long-term business interruption may result in a loss of customers and competitive advantage, as well as damage to the Group's reputation.</p>	VPs of business units	<p>The Group has defined and established disaster recovery procedures that are subject to regular review. Business interruptions in mining mainly relate to production safety. Measures to mitigate these risks include methane monitoring and degassing systems, timely mining equipment maintenance, as well as employee safety training.</p> <p>EVRAZ performs detailed incident cause analyses to develop and implement preventative actions. Records of minor interruptions are reviewed to identify any more significant underlying issues.</p>	<p>—</p>
9. Digital effectiveness, as well as effective, efficient and continuous IT service 	<p>A failure to proactively use IT opportunities to increase the efficiency of business operations could result in a loss of competitive advantage and margins.</p> <p>Information technology and information security risks have the potential to cause prolonged production delays or shutdowns.</p> <p>At the same time, increased digital transformation and the convergence of IT and operational technology make companies more vulnerable.</p>	VPs of business units, VP IT, IT Architecture Committee	<p>Digital Transformation is a part of the Group's IT strategy.</p> <p>EVRAZ continuously assesses and monitors information security risks, and it implements mitigation measures upon completion of external assessments by an independent advisor.</p> <p>The Group conducts regular continuity testing for the most critically important IT systems.</p> <p>Successful mitigation measures include launching the IT Security Operation Centre, conducting security awareness training for employees and effectively organising remote work for staff during the COVID-19 pandemic.</p>	<p>—</p>
10. Capital projects and expenditure 	<p>The Group's development plans largely rely on capital projects and depend on its economic viability, efficiency and effectiveness of execution, as well as the availability and cost of capital to finance capital expenditure.</p> <p>Economic issues outside those factored into the Group's business plans, including regulatory approvals, also may negatively impact anticipated free cash flow and cause certain elements of the planned capital expenditure to be re-phased, deferred or abandoned with consequential impact on the Group's planned future performance.</p> <p>In addition, the profitability of new projects could be impacted by higher than expected operating and life of mine costs due to variables such as lower than expected coal and iron ore quality, coal seam economics, as well as technical processing and engineering factors.</p>	CFO, Strategy Committee, Investment Committee, VPs of business units	<p>EVRAZ reviews all proposed capital projects on a risk return basis. The current list of projects has been reviewed and updated.</p> <p>Each project is presented for approval against the Group's risk matrix to assess its potential downside and any possible mitigating actions.</p> <p>EVRAZ has created a list of typical project risks and a database of lessons learned.</p> <p>Project delivery is closely monitored against project plans resulting in high-level action to manage project investment for both timely delivery and planned project expenditure.</p> <p>New mine development and definition of feasibility plans are reviewed and signed off by independent mining engineers.</p> <p>The Group regularly revisits the key assumptions for its main investment projects and performs scenario analyses, which may result in the suspension and/or postponement of certain projects.</p> <p>EVRAZ also uses financial modelling to define the strategy of each individual asset and the enterprise in general for the purpose of long-term FCF forecasting, including investment projects.</p> <p>The project management system's transformation is ongoing.</p>	<p>—</p>

VIABILITY STATEMENT

As a global steel and mining group, EVRAZ is exposed to a range of risks and inherent uncertainties that are explained more fully in this section. The Group's principal risks and its approach to managing them, together with the latest financial forecasts and five-year strategic plan, have formed the basis of this long-term viability assessment. EVRAZ believes that a five-year period is optimal for the viability analysis, as it corresponds to the period used in the Group's strategic planning and therefore reflects the information available to management regarding the future performance of the business. Visibility of performance and risks beyond the strategic planning cycle is limited, and scenarios beyond this five-year period have not been analysed for the purposes of the viability statement. The Group considered the emerging risk of climate change but determined that it did not pose a material threat to the business over the period of the viability assessment. As a result, no specific climate change scenario was modelled.

In accordance with provision 31 of the UK Corporate Governance Code 2018, the Board has assessed the Group's prospects over the period of the current strategic plan to December 2025 and considers it possible to form a reasonable expectation of the Group's viability over this five-year period. The assessment included consideration of the stress-testing detailed below, with particular attention paid to the forecast cash position and compliance with financial maintenance covenants in each scenario, as well as the mitigation plan developed by management.

The assessment was underpinned by scenarios that encompass a wide spectrum of potential events. These scenarios are designed to explore the Group's resilience to the significant risks set out on **pages 92-95** and combinations of correlated risks. Some risks are outside the Group's control and the potential implications are difficult to predict in the current environment and considered remote. The key scenarios tested can be summarised as:

- Base scenario:
 - The key assumptions as disclosed in Note 6 to the financial statements under Impairment of assets on **pages 186-189**.
 - Future pricing of steel and raw materials is within the range of the external analyst forecasts set out in Note 6.
 - Annual steel volumes are assumed to vary from -2.5% to 10.5%, compared with the 2020 level over the five-year period to December 2025.
- Global economic decline:
 - Steel and raw material prices and exchange rates during 2021 and future periods are at the lower end of the external analyst forecast set out in Note 6.
 - Sales volumes are assumed to decrease by 3.0% in comparison with the base scenario.
- Increased conversion costs in the CIS.
- Increased CAPEX.
- Potential changes in HSE requirements and standards.
- Appreciation of local operating currencies.
- Cybersecurity failure resulting in production delays or shutdowns at a major operation.

- Introduction of new tariffs and duties.
- Business interruption, leading to lost production and restoration costs.
- Combinations of correlated risks/scenarios. The scenarios are designed to be severe but plausible. They take full account of the potential actions available to mitigate the occurrence and impact of the risk, and the likely effectiveness of such action. The process makes certain assumptions about the normal level of capital recycling likely to occur and considers whether additional financing facilities will be required and available in each scenario. EVRAZ considers this assessment of its prospects based on stress-testing to be reasonable, given the risks and inherent uncertainties facing the business.

The directors confirm that their assessment of the principal risks facing the Group is robust. Based on this robust assessment and the stress-testing of the Group's prospects across several risk-related scenarios, including the possible impacts of the potential coal assets demerger, the directors have a reasonable expectation that EVRAZ will be able to continue in operation and meet its liabilities as they fall due over the five-year period to December 2025.

In making this statement, the directors have made the following key assumptions:

- Funding or refinancing, by way of capital markets, bank debt and asset financing, continues to be available.
- Selling prices over the five year viability period will not fall significantly below the lower end of the external analyst forecasts assumed in the severe but plausible scenarios.

STATEMENT IN ACCORDANCE WITH S172 OF THE COMPANIES ACT

The Board has considered in detail the Company's business model outlined on **pages 10-11** of this report, which identifies the Company's stakeholders as:

- Shareholders and investors.
- Employees.
- Customers.
- Suppliers and contractors.
- Local communities.
- Government and regulatory authorities.
- Media.
- Industry organisations.

The Board of EVRAZ recognises the benefit of clear and precise engagement with the Group's stakeholders. Value is generated through the Group's core activities as outlined in the discussion of its business model on **pages 10-13**.

Throughout the year, the Board has considered the impact of COVID-19 on all of its stakeholders. Full details of the actions taken are highlighted in the Corporate Governance Statement in the Impact of COVID-19 section on **pages 30-31**.

The Group's dividend policy anticipates dividend payments to shareholders of US\$300 million per annum, provided that the Group's net debt/EBITDA ratio remains below 3x. In addition, the Board may consider further distributions of free cash flow available after implementing its investment programme to support the business. The Board reviewed and considered that, despite the impact of the COVID-19 pandemic on the operational results of the business and the economy, the underlying strength of the business allowed the Board to continue to pay dividends relating to the 2020 financial year.

The Group has an active IR programme to enable shareholders to engage with the Company and the Board, not only on businesses issues but also on any governance concerns that they might have.

A capital markets day is normally held each year for the investment community, which covers both the current performance and future plans, as well as governance issues. Due to the COVID-19 pandemic, it was not possible to hold the event this year, but one is planned for 2021.

All shareholders are normally welcome in person at the AGM, where all directors are available to discuss any issues that they might raise. This year, a closed meeting had to be held, but arrangements were made to allow private shareholders to submit questions.

The CEO, supported by the CFO, held conference calls and briefed analysts and institutional investors fully after the publication of the Group's half-year and full-year results. Additionally, the CFO, supported by the director for investor relations, held a series of online meetings with institutional investors during the year.

Engagement with employees remains key, and the Board closely monitors the results of the annual engagement survey, which has seen satisfactory levels of improvement.

Two independent non-executive directors have taken responsibility for engaging with employees in our businesses in North America and Russia, respectively, and this is conducted through their attendance at key staff briefing events and town hall meetings. Throughout the year, senior management attend the Group's board meetings to present the annual budget for their respective business units and key investment projects that require the Board to approve significant capital expenditure. All presentations made to the board consider both the benefit to shareholders of the proposal and the impact on other key stakeholders. The Remuneration Committee receives a detailed presentation from the Vice President of HR, which outlines remuneration and incentive plans across the whole business at each level. A whistleblowing arrangement is in place that allows staff to raise issues in confidence, and the responses to issues are routinely monitored by the Audit Committee, which escalates key issues to the Board.

In 2011, the Board established a Health, Safety and Environment Committee to help it to monitor the Group's Health, Safety and Environment performance, as well as the initiatives designed by management to improve the Group's performance in that area. In addition, it considers the planned

actions that are necessary to reduce the Group's impact on the environment, including the reduction of greenhouse gas emissions. During 2020, the HSE Committee reviewed presentations from management on a revised environmental strategy and recommended its adoption to the Board. More details are available on **pages 14-15**.

The Board considers the interests of all stakeholders by taking a long-term view of how the business needs to develop within its economic market (please see principal decisions taken by the Board on **pages 107-109**). The Board has considered the technological developments in the market to ensure that its assets are improved to remain competitive, and that the necessary financing requirements to implement strategic projects will be available over the medium to long term. When development plans for projects are in their early stages, management engages key customers to ensure that the products manufactured meet their specific requirements.

All suppliers are treated in line with agreed contract terms, and when new opportunities come available the Group has transparent tendering procedures to ensure new contracts are awarded on a fair basis. The Board is introducing a stakeholder impact analysis for all proposals brought to its attention and will include an analysis in the annual strategy plan. The full range of EVRAZ Stakeholder engagement is detailed on **pages 116-117**.

These actions assist the directors in performing their duties under S172 of the Companies Act 2006, and the analysis will confirm to the Board that the impact of business plans on all stakeholders is being considered by management when developing initiatives for Board approval.

NON-FINANCIAL REPORTING

EVRAZ aims to comply with the non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. The table below outlines to stakeholders the Group's position, principal policies, main risks and KPIs on key non-financial areas.

Requirement	Group approach and policies	Documents	Related KPIs	Related principal risks
Environment Further information: Environment, see pages 60-65	Steel and mining production carry a high risk of environmental impact and incidents related to its production processes. EVRAZ pays the utmost attention to environmental matters to prevent or minimise any adverse impact.	Environmental strategy EVRAZ HSE Policy Code of Business Conduct	EVRAZ has adopted new environmental targets: see pages 14-15	HSE: Environment, see page 94
Employees Further information: Our People, see pages 68-73 ; Health and Safety, see pages 58-59	EVRAZ strictly complies with national labour laws and best practices of business ethics concerning employee management. Discrimination related to a person's race, ethnic origin, gender, religion, political views, nationality, age, sexual orientation, etc, is totally unacceptable throughout the Group, as well as at its subcontractors and suppliers. Due to industry-specific issues, EVRAZ employees and contractors face safety and health risks. Providing a safe work environment is one of the Group's main core values.	EVRAZ HSE Policy Code of Business Conduct Diversity and inclusion policy Human rights policy	LTIFR (per 1 million hours) Labour productivity, steel (tonnes per person)	HSE: Health and Safety, see page 94
Social policy Further information: Community Relations, see pages 74-79	EVRAZ strives to make a meaningful contribution to local economies and to support communities wherever it operates. The Group supports infrastructure, sport, educational and cultural programmes with the aim of improving the quality of life in local communities.	Charitable Donation and Sponsorship Policy	Fulfilment of the Group's social obligations towards its employees, which were fixed in the collective agreements. Interaction with local communities in the regions of the Group's presence during the implementation of various CSR related projects.	Global economic factors, industry conditions and cyclicity, and business interruption; see pages 92, 95

Requirement	Group approach and policies	Documents	Related KPIs	Related principal risks
Respect for human rights Further information: Our Approach, see pages 14-15	EVRAZ' commitments are based on internationally recognised standards and respect for all human rights. Child labour, bonded labour, human trafficking and other forms of slavery are strictly prohibited at all Group subsidiaries and their suppliers. EVRAZ rules also prohibit abusive, harassing, discriminatory, degrading or aggressive speech or conduct.	Code of Business Conduct Modern Slavery Transparency Statement Human rights policy	Zero tolerance to violation	None of EVRAZ' current principal risks relates to aspects of human rights
Anti-corruption and anti-bribery Further information: Anti-corruption and Anti-bribery, see pages 80-83 For a short summary of relevant anti-corruption policies, see page 257	In accordance with the Group's policies and procedures, compliance managers scrutinise tender procedures, check potential and existing business partners, vet prospective new candidates, and ensure that the principles set forth in the EVRAZ Anti-corruption Policy and Code of Business Conduct are adhered to throughout its operations.	Code of Business Conduct EVRAZ Anti-Corruption Policy: <ul style="list-style-type: none">• Anti-corruption training policy.• Sponsorship and charity policy.• Gifts and business entertainment policy.• Candidate background and criminal record checks.• Conflict of interest policy.• Contractor/supplier due diligence checks. EVRAZ Rules on Securities Dealings	Zero tolerance to violation	None of EVRAZ' current principal risks relate to aspects of anti-corruption

For EVRAZ' business model, relationships and products, see **pages 4-97** →

For the Group's related risks and how they are managed, see the Principal Risks section on **pages 90-95** →

EVRAZ' Strategic Report, as set out on **pages 4-99** inclusive, has been reviewed and was approved by the Board of Directors on 24 February 2021.

By the order of the Board



Alexander Frolov
Chief Executive Officer
EVRAZ plc

24 February 2021

CORPORATE GOVERNANCE

Responsible actions for a Better Future



BOARD OF DIRECTORS



Alexander Abramov
Non-Executive Chairman N



Alexander Frolov
Chief Executive Officer H



Eugene Shvidler
Non-Executive Director N

<p>Appointment Alexander Abramov has been a Board member since April 2005. He was CEO and chairman of Evraz Group S.A. until 1 January 2006, and continued to serve as chairman until 1 May 2006.</p> <p>Mr Abramov was a non-executive director from May 2006 until his re-appointment as chairman of the Board on 1 December 2008. He was appointed chairman of EVRAZ plc on 14 October 2011.</p> <p>Committee membership Mr Abramov is a member of the Nominations Committee.</p> <p>Skills and experience Mr Abramov graduated from the Moscow Institute of Physics and Technology with a first-class honours degree in 1982, and he holds a PhD in Physics and Mathematics. He founded EvrazMetall in 1992.</p> <p>Other appointments Mr Abramov is a Bureau member of the Russian Union of Industrialists and Entrepreneurs (an independent non-governmental organisation), a member of the Board of Skolkovo Institute for Science and Technology, and a member of the Supervisory Board of the Moscow Institute of Physics and Technology.</p>	<p>Appointment Alexander Frolov has been a Board member since April 2005. He was chairman of the Board of Evraz Group S.A. from May 2006 until December 2008, and was appointed CEO with effect from January 2007.</p> <p>Mr Frolov was appointed CEO of EVRAZ plc on 14 October 2011.</p> <p>Committee membership Mr Frolov is a member of the Health, Safety and Environment Committee.</p> <p>Skills and experience Mr Frolov graduated from the Moscow Institute of Physics and Technology with a first-class honours degree in 1987 and received a PhD in Physics and Mathematics in 1991. Prior to working at EVRAZ, he was a research fellow at the I. V. Kurchatov Institute of Atomic Energy. He joined EvrazMetall in 1994 and served as its chief financial officer from 2002 to 2004, then as senior executive vice president of Evraz Group S.A. from 2004 to April 2006.</p> <p>Other appointments None.</p>	<p>Appointment Eugene Shvidler has been a Board member of Evraz Group S.A. since August 2006. He was appointed to the Board of EVRAZ plc on 14 October 2011.</p> <p>Committee membership Mr Shvidler is a member of the Nominations Committee.</p> <p>Skills and experience Mr Shvidler served as president of Sibneft from 1998 to 2005, having previously been senior vice president from 1995. He holds an MSc and an MBA.</p> <p>Other appointments Mr Shvidler currently serves as chairman of Millhouse LLC.</p>
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Key to committee membership

N

Nominations Committee

H

HSE Committee

Chairman

Member

INDEPENDENT DIRECTORS



Eugene Tenenbaum
Non-Executive Director

Appointment
Eugene Tenenbaum has been a Board member of Evraz Group S.A. since August 2006.

He was appointed to the Board of EVRAZ plc on 14 October 2011.

Committee membership
None.

Skills and experience
Mr Tenenbaum served as head of corporate finance for Sibneft in Moscow from 1998 through 2001. He worked as director for corporate finance at Salomon Brothers from 1994 until 1998. Prior to that, he spent five years in corporate finance with KPMG in Toronto, Moscow and London, including three years (1990-93) as national director at KPMG International in Moscow. Mr Tenenbaum was an accountant in the business advisory group at Price Waterhouse in Toronto from 1987 until 1989. He is a chartered accountant.

Other appointments
Mr Tenenbaum is currently managing director of MHC (Services) Ltd and serves on the Board of Chelsea FC Plc.



Laurie Argo
Independent
Non-Executive Director A R

Appointment
Laurie Argo has been a Board member of EVRAZ plc since August 2018.

Committee membership
Ms Argo is a member of the Audit Committee and the Remuneration Committee.

Skills and experience
Ms Argo has over 20 years of experience in the energy industry. From 2015 to 2017, she served as senior vice president of Enterprise Products Holdings LLC, the general partner of Enterprise Products Partners LP. From October 2014 to February 2015, Ms Argo was chief executive officer and president of OITLP GP LLC, the general partner of Oiltanking Partners L.P. From January 2014 to January 2015, she served as vice president, NGL fractionation, storage and unregulated pipelines, which included gas gathering and processing in the Rockies, San Juan and Permian areas. From 2005 to 2014, she held various positions in the NGL and natural gas processing businesses for Enterprise, where her responsibilities included the commercial and financial management of four joint venture companies. From 2001 to 2004, Ms Argo worked for San Diego Gas and Electric Company and from 1997 to 2000 PG&E Gas Transmission in Houston, Texas.

Other appointments
Ms Argo is currently an independent non-executive director of the general partner of Rattler Midstream LP.



Deborah Gudgeon
Independent
Non-Executive Director A R

Appointment
Deborah Gudgeon has been a Board member of EVRAZ plc since May 2015.

Committee membership
Ms Gudgeon serves as chairwoman of the Audit Committee and is a member of the Remuneration Committee.

Skills and experience
Ms Gudgeon is a qualified chartered accountant with 30 years' experience. She started her career with Coopers and Lybrand, and in 1987 became a senior accountant for Salomon Brothers International. From 1987 to 1995, Ms Gudgeon served as a finance executive at Lonrho PLC and was appointed a member of the Finance Committee in March 1993. From 1995 to 1998, she served as a director for Halstead Services Limited, and from 1998 to 2003, she served as a director of Deloitte, specialising in corporate finance. From 2003 to 2009, Ms Gudgeon served as a founding director of the Special Situations Advisory team for BDO LLP, providing integrated advice on corporate finance, restructuring, debt and performance improvement. From 2011 to 2017, Ms Gudgeon served as managing director of Gazelle Corporate Finance Limited.

Other appointments
Ms Gudgeon is currently a Senior Adviser of Penfida Limited.



Karl Gruber
Independent
Non-Executive Director H N

Appointment
Karl Gruber has been a Board member of Evraz Group S.A. since May 2010. He was appointed to the Board of EVRAZ plc on 14 October 2011. Having served nine years as non-executive director, and in line with the UK Corporate Governance Code's recommendations on director independence, he will not seek re-election at the forthcoming Annual General Meeting.

Committee membership
Mr Gruber serves as chairman of the Health, Safety and Environment Committee. He is also a member of the Nominations Committee.

Skills and experience
Mr Gruber has extensive experience in the international metallurgical mill business and holds a diploma in mechanical engineering. He has held various management positions, including eight years as a member of the Managing Board of VOEST-Alpine Industrieranlagenbau (VAI), first as executive vice president of VAI and then as vice chairman of the Managing Board of Siemens VAI. He also chaired the boards of Metals Technologies (MT) Germany and MT Italy. Further, he has executed various consultancy projects for the steel industry and served as CEO and chairman of the Management Board of LISEC Group.

Other appointments
None.



Alexander Izosimov
Independent
Non-Executive Director R N A

Appointment
Alexander Izosimov was appointed to the Board of EVRAZ plc on 28 February 2012.

Committee membership
Mr Izosimov is chairman of the Remuneration Committee. He is also a member of the Nominations Committee and the Audit Committee.

Skills and experience
Mr Izosimov has extensive managerial and board experience. From 2003 to 2011, he was president and CEO of VimpelCom, a leading emerging market telecommunications operator. From 1996 to 2003, he worked at Mars Inc, where he held various managerial positions, including regional president for CIS, Central Europe and Nordics, and was a member of the executive board. Prior to Mars Inc, Mr Izosimov was a consultant with McKinsey and Co (Stockholm, London; 1991-96) and was involved in numerous projects in the transportation, mining, manufacturing and oil businesses. Until recently, Mr Izosimov served on the boards of MTG AB, Dynasty Foundation, LM Ericsson AB and Transcom SA. He also previously served as director and chairman of the GSMA (global association of mobile operators) board of directors, and was a director of Baltika Breweries, confectionery company Sladko, and IT company Teleopti AB.

He holds an MBA from INSEAD.

Other appointments
Mr Izosimov is an independent non-executive director of the Moscow Exchange and chief executive officer of M.Video-Eldorado Group.



Sir Michael Peat
Senior Independent
Non-Executive Director N R

Appointment
Sir Michael Peat was appointed to the Board of EVRAZ plc on 14 October 2011. Having served nine years as non-executive director, and in line with the UK Corporate Governance Code's recommendations on director independence, he will not seek re-election at the forthcoming Annual General Meeting.

Skills and experience
Sir Michael Peat is a qualified chartered accountant with over 40 years' experience. He served as Principal Private Secretary to HRH The Prince of Wales from 2002 until 2011. Prior to this, he spent nine years as the Royal Household's Director of Finance and Property Services and then Treasurer to The Queen and Keeper of the Privy Purse. Sir Michael Peat was at KPMG from 1972, and became a partner in 1985. He left KPMG in 1993 to devote himself to his public roles. He holds an MA and MBA, and is a fellow of the Institute of Chartered Accountants in England and Wales. He was the 2018 recipient of the Institute of Chartered Accountants Outstanding Achievement Award.

Other appointments
Sir Michael Peat is chairman of CQS Management Limited and a partner in CQS (UK) LLP, chairman of GEMS MENASA Holdings Limited, a non-executive director of Arbutnot Latham & Co Limited.



Key to committee membership

- A Audit Committee
- R Remuneration Committee
- N Nominations Committee
- H HSE Committee
- Chairman
- Member

MANAGEMENT



Alexander Frolov
Chief Executive Officer



Aleksey Ivanov
Senior Vice President,
Commerce and Business Development



Nikolay Ivanov
Chief Financial Officer



Alexander Erenburg
Vice President,
Vanadium Division



Sergey Vasiliev
Vice President,
Compliance with Business Procedures
and Asset Protection



Konstantin Rubin
Vice President,
Health, Safety and Environment



Alexander Kuznetsov
Vice President,
Corporate Strategy
and Performance Management



Ilya Shirokobrod
Vice President, Sales and Logistics



Alexey Soldatenkov
Vice President,
Head of the Siberia Division



Vsevolod Sementsov
Vice President,
Corporate Communications



Natalia Ionova
Vice President,
Human Resources



Artem Natrusov
Vice President,
Information Technologies



Denis Novozhenov
Vice President,
Head of the Urals Division



Andrey Davydov
Vice President,
Head of the Coal Division



Skip Herald
President and chief executive officer,
EVRAZ North America



Yanina Staniulenaite
Vice President,
Legal

CORPORATE GOVERNANCE REPORT

INTRODUCTION

EVRAZ is a public company limited by shares incorporated in the United Kingdom. It is a premium-listed company on the Main Market of the London Stock Exchange and is a member of the FTSE 100 Index. EVRAZ is committed to high standards of corporate governance and control.

COMPLIANCE WITH CORPORATE GOVERNANCE STANDARDS

The Group's approach to corporate governance is based on the UK Corporate Governance Code published by the Financial Reporting Council (FRC) in July 2018 and the Listing Rules of the UK Financial Conduct Authority.

During the year to 31 December 2020, EVRAZ complied with all the principles and provisions of the 2018 UK Corporate Governance Code (the Governance Code is available at www.frc.org.uk), with the following exceptions:

- Provision 9: The chairman was non-independent on appointment, as he was and remains a significant shareholder, and had previously served as a CEO and chairman of the Group prior to listing in 2011. The Board considers that he brings independence of judgement to the Group's activities, as well as extensive experience and expertise of the Group's key markets. The Board also considers that the current Board structure provides a suitable level of protection for minority

shareholders, as it operates in accordance with the Relationship Agreement currently in place (read **page 143**).

- Provision 19: The Chairman has been in post since the IPO in October 2011 and has therefore served in excess of nine years. The Board has considered this situation and as explained in the previous comment, the Board considers that he has extensive experience and expertise of the Group's key markets. The Board also considers that during a period of transition of Board members, his remaining in post also retains the necessary stability for the Group.
- Provision 37: The Company does not operate clawback arrangements. An explanation for this non-compliance is set out in the Remuneration Report on **page 130**.

An explanation of how the Company has complied with the UK Corporate Governance Code, including how it has applied the principles contained

therein, is set out within this Corporate Governance Report, the Strategic Report and the Directors' Report. In particular, the following pages will be most relevant in enabling shareholders to evaluate how these principles have been applied:

- Board Leadership and Company Purpose — please read at Corporate Governance Report on **pages 106-112**.
- Division of Responsibilities — please read at Corporate Governance statement on **pages 106-112**.
- Composition, Succession and Evaluation — please read at Nominations Committee Report on **pages 124-125**.
- Audit, Risk and Internal Control — please read at Audit Committee Report on **pages 118-123**, Risk Management and Internal Control on **pages 113-115** and Principal Risks and Uncertainties on **pages 92-95**.
- Remuneration — please read at Remuneration Committee Report on **pages 128-139**.

BOARD RESPONSIBILITIES AND ACTIVITIES

The Board and management of EVRAZ aim to pursue objectives in the best interests of the Group, its shareholders and other stakeholders, and particularly to create long-term value for shareholders.

In 2020, despite the significant operational impact of the COVID-19 pandemic, disruptions to the Board's activity were minimal as meetings were moved to video format with little loss of efficiency.

Throughout the early stages of the pandemic, the Board was updated on a weekly basis by the management about the impact of COVID-19 on both the business and employees, as well as the steps that management was taking to ensure all necessary precautions were in place.

The Board of EVRAZ is responsible for the following key aspects of governance and performance:

- Financial and operational performance.
- Strategic direction.
- Major acquisitions and disposals.
- Overall risk management.
- Capital expenditure and operational budgeting.
- Business planning.
- Approval of internal regulations and policies.

Generation and preservation of value

The business model and strategy of EVRAZ are presented on **pages 10-13** of the Strategic Report, which describe the basis upon which the Company generates and preserves value over the long-term. The Board periodically reviews this model.

In early 2020, at the request of the Board, the management of EVRAZ actively focused on developing an Environmental Strategy for the Group, including a Climate Change Strategy. Following detailed discussions with senior management, EVRAZ published

an updated Environmental Strategy and Climate Change Report.

The Board and culture

The Board continues to ensure that the business's culture is aligned with the purpose and values of the Group as detailed in **pages 16-17** of the Strategic Report. The key feedback tool it uses to monitor progress in this area is the annual employee survey that EVRAZ carries out throughout the business, the details of which are described on **page 72** of the Strategic Report. The Board reviews a summary of the annual survey and monitors

the implementation of any necessary actions that the management undertakes.

The Board views corporate social responsibility as an integral part of the Group's business and strives to address and monitor all relevant matters in this area. The EVRAZ Code of Conduct establishes cultural expectations for the activities of all directors, executives, employees, contractors, suppliers and community members in relation to the Group's business. It also encourages an environment of ethics and responsibility for the benefit of the Company's stakeholders. The Group publishes a comprehensive Corporate Social Responsibility Report.

The Board's key pandemic-related discussions and decisions

The Board discussed numerous matters arising directly from the pandemic and its impact on the Company throughout 2020.

Shareholders	<ul style="list-style-type: none">• Changing the Annual General Meeting to a closed format meeting while providing opportunities for shareholders to submit questions to the Board by email.• Moving investor roadshows to web-based meetings.
Employees	<ul style="list-style-type: none">• Introduction of numerous additional safety measures to protect people and ensure operational continuity.• Setting up a crisis management centre, with Board of Directors receiving regular updates of the impact on the Group's operational, commercial and financial situation.
Communities	<ul style="list-style-type: none">• Setting up a crisis management centre, with Board of Directors receiving regular updates of the impact on the Group's operational, commercial and financial situation.
Customers	<ul style="list-style-type: none">• Introduction of numerous additional safety measures to protect people and ensure operational continuity.
Suppliers and contractors	<ul style="list-style-type: none">• Introduction of numerous additional safety measures to protect people and ensure operational continuity.
Financial	<ul style="list-style-type: none">• Reviewing the appropriateness of the going concern basis of financial reporting.• Revisiting the assumptions, stress-test scenarios and mitigating actions used in preparing the Company's viability statement.• Approving two interim dividends during the year.

Other key discussion topics during 2020

The Board also discussed the following topics during 2020.

Strategy and planning	<ul style="list-style-type: none">• Reviewing the critical success factors for strategic development of the Group's competitive advantages.• Disposing of non-core businesses.• Linking succession planning to corporate strategy execution, and the need to look deeper into the Group for future leaders.
Operational matters	<ul style="list-style-type: none">• Reviewing the performance of key businesses, including commercial initiatives to improve operational performances and revenues, with particular emphasis on North America.• Reviewing investment projects.• Implementing the EVRAZ Business System throughout the Group over the next five years to promote an operational culture of values and behaviours that support the drive for continuous improvement and business change.• Reviewing HSE updates, including key initiatives and responses to significant incidents.• Monitoring the implementation of a risk analysis approach to Health and Safety, including reviewing the associated training programmes.
Financial	<ul style="list-style-type: none">• Reviewing and approving the Group's consolidated budget and budgets of individual business units.• Approving the interim and full-year results, as well as the 2019 annual report.
Governance	<ul style="list-style-type: none">• Ensuring compliance with the Market Abuse Regulation in relation to managing inside information, share dealing by insiders and online training of all insiders.• Reviewing the findings of the externally facilitated Board evaluation exercises and action plans resulting therefrom.• Approving the 2019 Modern Slavery Statement.• Approving the Payments to Governments Report.

The Board's Section 172 Statement is shown on **pages 97**.

In addition, the Board discussed proposals to pay: an interim dividend of US\$0.40 per ordinary share, totalling US\$581 million, on 27 March 2020; and an interim dividend of US\$0.20 per share, totalling US\$291 million, on 2 October 2020. The level of distributable reserves within the balance sheet was considered at each distribution and was found to be sufficient to enable the dividend to be paid. The dividends paid were in line with the dividend policy previously agreed by the Board, which also considered the impact of COVID-19 on the Group's going concern and cash flow position.

During the year, the Board adopted a revised environmental strategy and governance process (for

more details, see Strategic Report on **page 14-15**). To support the Board in adopting the strategy, the Audit Committee undertook a review of the parameters that were required to be met, and the HSE Committee undertook a full review with divisional business heads before the Board reviewed and approved the strategy.

In keeping with the requirements of the relationship agreements in place between the Company and its major shareholders, the independent non-executive directors of the Company have conducted an annual review to consider the continued good standing of the relationship agreements and are satisfied that the terms

of the relationship agreements are being fully observed by all parties. In accordance with LR9.8.4R (14), it is confirmed that the Company has complied with the independence provisions of the relationship agreements.

As far as the Company is aware, Greenleas International Holdings Ltd., Abiglaze Ltd and Crosland Global Limited (or any of their associates) have complied with the independence provisions of the relationship agreements; and so far as the Company is aware, Greenleas International Holdings Ltd., Abiglaze Ltd and Crosland Global Limited have complied with the procurement obligations in the relationship agreements.

Principal decisions

Decision	2021 Business Plan and Budget
Context	The Business Plan and Budget sets the annual targets and the costs of the necessary resources to achieve these targets. It is developed considering the Group's overall strategy, as well as any specific challenges faced by each division and its underlying business units, including any stakeholder-related considerations. The Chief Executive Officer, supported by key members of the management team, presents the Business Plan and Budget for the Board's challenge and approval.
Stakeholder considerations	In reviewing the Business Plan and Budget, the Board considered the potential impact that each operation and project might have on its stakeholders (employees, local communities, government and regulators, contractors and suppliers, shareholders and customers) and the environment.
Strategic actions supported by the Board	The strategic actions of the Business Plan and Budget supported by the Board to generate value for stakeholders are: <ul style="list-style-type: none">• Further HSE initiatives, which will be monitored by the HSE Committee, to improve performance as detailed in the HSE Committee Report on pages 126-127.• Approval of investment plans to further reduce greenhouse gas emissions, supporting government regulations.• Continuing high standards of corporate governance and adherence to regulations.• Approval of maintenance CAPEX to enhance business efficiency, increase value and improve working conditions for staff.• Approval of investment plans, generating new projects that provide additional employment opportunities.
Impact of these actions on the long-term success of the Company	The Business Plan and Budget creates a balance between current operating performance and considerations that matter to all stakeholders in the short- and long-term, such as health and safety, environmental performance and community relations.
Outcome	In December 2020, the Board discussed and approved the 2021 Business Plan and Budget.

Decision	Approval of construction of EVRAZ Pueblo's new rail plant
Context	As part of the Group's ongoing programme of renovating existing facilities and developing new ones to expand its product range, the Board considered an investment project to construct a new long rail mill at EVRAZ Pueblo.
Stakeholder considerations	Shareholders <ul style="list-style-type: none">• Enhance shareholder value by improving production efficiency and unlocking markets for new products. Employees <ul style="list-style-type: none">• Provide modern working conditions and a better overall working environment at a state-of-the-art plant. Environment <ul style="list-style-type: none">• Reduce greenhouse gas emissions by developing a solar farm in partnership with a local energy provider.• Improve wastewater control. Customers <ul style="list-style-type: none">• Consult with key customers during decision process regarding their needs for long rails, as well as their commitment to contract for the product.

Decision	Approval of construction of EVRAZ Pueblo's new rail plant
Impact of these actions on the long-term success of the Company	The decision to invest demonstrates confidence in the long-term outlook for long rail products in the US market served by this new production facility, as well as the Group's commitment to sustainable growth for the benefit of all stakeholders.
Strategic actions supported by the Board	The Board supported the development of the new rail mill to generate value for stakeholders by: <ul style="list-style-type: none">• Improving health and safety conditions for staff.• Reducing greenhouse gas emissions in line with government regulations.• Improving operational efficiency.• Providing a product that meets customers' needs.
Outcome	The Board decided to proceed with an investment in the new rail mill at EVRAZ Pueblo.

Decision	Approval of Environmental Strategy
Context	EVRAZ is aware of the impact that some of its operations have on the environment and seeks to minimise it as far as practicable. The updated strategy takes into account the latest environmental regulations and best practice.
Stakeholder considerations	Shareholders <ul style="list-style-type: none">• Avoid fines and production delays due to breaches of environmental regulation.• Ensure that operations are carried out on an ethical basis. Employees <ul style="list-style-type: none">• Improve company ethos and provide safer working conditions. Environment <ul style="list-style-type: none">• Reduce greenhouse gas emissions.• Improve wastewater control.• Increase energy efficiency.
Impact of these actions on the long-term success of the Company	A robust environmental strategy is a key component of the Group's ongoing development in the modern world and supports its commitment to sustainable growth for the benefit of all stakeholders.
Strategic actions supported by the Board	The Board supported the investment projects to generate value for stakeholders by: <ul style="list-style-type: none">• Improving health and safety conditions for staff.• Reducing greenhouse gas emissions in line with government regulations.• Improving operational efficiency and increasing shareholder value.• Providing transparent tendering opportunities for national and international contractors.
Outcome	The Board approved the Environmental Strategy during the year, which was disseminated to management and employees. For more details, see Strategic Report on page 14-15 .

Decision	Approval of various other investment projects
Context	The business plan for each financial year contains numerous investment projects, involving sizeable capital expenditure amounts. These can be for a variety of different types of projects, including the replacement of outdated equipment in existing facilities, or the construction of new plants to take advantage of new market opportunities.
Stakeholder considerations	Shareholders <ul style="list-style-type: none">• Enhance production efficiency and access markets for new products, thereby improving shareholder value. Employees <ul style="list-style-type: none">• Provide safer working conditions with a better working environment. Environment <ul style="list-style-type: none">• Reduce greenhouse gas emissions.• Improve wastewater control.• Increase energy efficiency.
Impact of these actions on the long-term success of the Company	The decision to invest demonstrates confidence in the long-term outlook for iron and steel products in the markets served by these production facilities, as well as the Group's commitment to sustainable growth for the benefit of all stakeholders.
Strategic actions supported by the Board	The Board supported the investment projects to generate value for stakeholders by: <ul style="list-style-type: none">• Reducing greenhouse gas emissions in line with government regulations.• Improving operational efficiency and increasing shareholder value.• Improving working conditions for employees.• Reassuring customers that the products they purchase have been made in line with environmental regulations.
Outcome	The Board approved a number of investment projects, during the year.

Chairman and chief executive

The Board determines the division of responsibilities between the chairman and the chief executive officer (CEO). This division of duties is documented in a separate document approved by the Board.

The chairman’s principal responsibility is the effective running of the Board, ensuring that the Board as a whole plays a full and constructive part in the development and determination of the Group’s strategy and overall commercial objectives. The Board is chaired by Alexander Abramov.

The CEO is responsible for leading the Group’s operating performance, as well as for the day- to-day management of the Company and its subsidiaries. The Group’s CEO is Alexander Frolov.

The CEO is supported by the executive team.

In addition, the Board appoints one independent non-executive director to serve as the senior independent director, whose duties are detailed in the documents that describe the roles of the chairman and CEO.

Board meetings and composition

EVRAZ plc held eight scheduled Board meetings during 2020. In 2021, up to the date of this report’s publication, two Board meetings were held. One unscheduled meeting was held to discuss a significant investment proposition. Due to travel restrictions put in place amid the COVID-19 pandemic, only one meeting was held in person; the remainder were held by video conference call.

The chief financial officer and the senior vice president for commerce and business development attended all Board meetings, with other members of senior management attending meetings by invitation to deliver presentations on the status of projects and performance of business units.

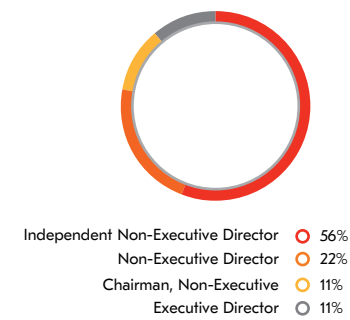
The table on the next page sets out the attendance of each current director at scheduled EVRAZ plc Board and Board committee meetings in 2020.

As at 31 December 2020, the Board comprised the chairman, one executive director, and seven non-executive directors, including a senior independent director. Olga Pokrovskaya, a former non-executive director, is invited to attend Board meetings in an advisory capacity and to attend Audit Committee meetings as an observer.

The Board considers that five non-executive directors (Laurie Argo, Karl Gruber, Deborah Gudgeon, Alexander Izosimov and Sir Michael Peat) are independent in character and judgement, and free from any business or other relationship that could materially interfere with the exercise of their independent judgement, in compliance with the UK Corporate Governance Code.

The independent non-executive directors comprise the majority (excluding the Health, Safety and Environment Committee) on and chair all Board Committees.

Board composition



Board and AGM attendance by each director

	Scheduled Board meetings	Unscheduled Board meeting	Remco	HSE	Audit	Nomco	AGM
Total number of meetings	8	1	4	2	9	3	1
Alexander Abramov	8/8	1/1				3/3	1
Alexander Frolov	8/8	1/1		2/2			1
Laurie Argo	7/8 ¹	1/1	4/4		9/9		1
Karl Gruber	8/8	1/1		2/2		3/3	1
Deborah Gudgeon	8/8	1/1	4/4		9/9		1
Alexander Izosimov	8/8	1/1	4/4		8/9	3/3	1
Sir Michael Peat	8/8	1/1	4/4			3/3	1
Eugene Shvidler	8/8	1/1				3/3	1
Eugene Tenenbaum	8/8	1/1					1

¹. Due to conflicting travel arrangements between the Audit Committee and the Board meeting, Ms Argo was unable to attend one Board meeting.

Boardroom diversity

EVRAZ recognises the importance of diversity both at the Board level and organisation-wide.

The Group remains committed to increasing diversity throughout its global operations and takes diversity into account during each recruitment and appointment process, working to attract outstanding candidates with diverse backgrounds, skills, ideas and cultures. As stated in the CSR Report, EVRAZ sees diversity as a crucial business driver and strives to ensure that all employees’ rights receive equal protection, regardless of race, nationality, religious belief, gender or sexual orientation. People with disabilities are given full consideration both during the recruitment process and once employed, to ensure that their unique aptitudes and abilities are taken into account.

During the year, the Nominations Committee considered boardroom diversity, especially in view of the need to appoint up to two new independent non-executive directors to replace those standing down having served terms of nine years. The Board hopes to be able to appoint another female director and a director who will broaden the Board’s ethnic diversity. It will, of course, balance this with appointing directors who can best serve the Company’s and shareholders’ interests by providing excellent governance and appropriate challenge, with one new director also having knowledge of operating an integrated steel business substantially based in the Russian Federation.

For more detailed information, see the Nominations Committee Report on pages 124-125 and the CSR Report on pages 68-69.

The Company believes that the Board’s composition provides an appropriate balance of skills, knowledge and experience. The Board members comprise a number of different nationalities with a wide range of skills, capabilities and experience from a variety of business backgrounds. Biographies of the Board members are provided in the Board of Directors section.

Board expertise

The Board has determined that, as a whole, it has the appropriate skills and experience necessary to discharge its functions.

Executive and non-executive directors have the experience required to contribute meaningfully to the Board’s deliberations and resolutions. Non-executive directors assist the Board by constructively challenging and helping to develop strategy proposals.

While most of the directors have been in post since the incorporation of EVRAZ plc in October 2011, the recruitment of new independent non-executive directors in recent years has strengthened the Board’s technical expertise and widened the skills base. The Nominations Committee has commenced a process to identify suitable candidates for the role of independent non-executive director to replace those directors who will be required to stand down at the 2021 and 2022 AGMs, having completed terms of nine years.

Induction and professional development

The chairman is responsible for ensuring that there is a properly constructed and timely induction for new directors upon joining the Board. Directors have full access to a regular supply of financial, operational, strategic and regulatory information to help them to discharge their responsibilities.

For more detailed information, read the Nominations Committee Report on pages 124-125.

Performance evaluation

An externally facilitated annual Board evaluation was conducted in 2020, following an internally evaluated review undertaken in 2018 and 2019. Lintstock was appointed as the external evaluator, having undertaken the review previously in 2016. Lintstock has no other connection with the Company.

The review was carried out at the initiative and with the participation of the Company’s Nominations Committee. Questionnaires were distributed to all Board directors for their response and comment.

The results were discussed at three levels:(i) among the members of the Nominations Committee; (ii) between Sir Michael Peat (as chairman of the Nominations Committee) and Alexander Abramov (as chairman of the Board); and (iii) among the members of the Board as a whole.

Board performance was deemed to be satisfactory. The outcome of the 2020 board evaluation called for: further emphasis to be placed on strategic issues, especially the impact of new technology and digital development across the sector; sustained momentum on sustainability; reconsideration of the Group’s risk profile; along with further board training on key topics.

Arising from the previous years action plan, the Board noted that its members had spent more time considering the Group’s investment proposals and their impact on other stakeholders. It had also spent a significant amount of time monitoring the implementation of the HSE system across the Group. The Company undertakes regular performance evaluations of the Board in line with the requirements of the UK Corporate Governance Code.

Board committees

The following principal committees support the Board in its work: the Audit Committee, the Remuneration Committee, the Nominations Committee, and the Health, Safety and Environment Committee. Each committee has written terms of reference, approved by the Board, summarising its role and responsibilities. The committees review their respective terms of reference each year and submit any recommended changes to the Board for approval. All terms of reference for the committees are available on the Group’s website: www.evraz.com.

The Audit Committee consists of three non-executive directors, all independent, which complies with the Code. The Board considers that, as a whole, the committee has competence relevant to the industry sector in which the Group operates. Specifically, Deborah Gudgeon has relevant recent financial experience.

Board composition as at 31 December 2020

Name	Position	Committee membership	Year of tenure
Executive director			
Alexander Frolov	CEO	HSEC — member	9
Non-executive directors			
Alexander Abramov	Chairman	NC — member	9
Eugene Shvidler	Director	NC — member	9
Eugene Tenenbaum	Director	None	9
Independent non-executive directors			
Laurie Argo	Director	AC — member, RC — member	2
Karl Gruber	Director	HSEC — chairman, NC — member	9
Deborah Gudgeon	Director	AC — chairman, RC — member	5
Alexander Izosimov	Director	RC — chairman, NC — member, AC — member	8
Sir Michael Peat	Senior independent director	NC — chairman, RC — member	9

Role and composition of each committee

Committee name	Function	Composition	Link to committee report
Audit Committee	Audit, financial reporting, risk management and controls	All three members are independent non-executive directors	Read on pages 118-123
Nominations Committee	Selection and nomination of Board members	All five members are non-executive directors, of which three are independent	Read on pages 124-125
Remuneration Committee	Remuneration of Board members and top management	All four members are independent non-executive directors	Read on pages 128-139
HSE Committee	HSE issues	Two of the three members are non-executive with an independent chairman who is also a non executive director of the Company ¹	Read on pages 126-127

RISK MANAGEMENT AND INTERNAL CONTROL

EVRAZ maintains a comprehensive financial reporting procedures (FRP) manual detailing the Group’s internal control and risk management systems and activity. The manual was last updated in November 2020 to reflect changes in internal processes. The document was prepared in accordance with the Financial Reporting Council (FRC) Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued in September 2014. The aim of the risk management process is to identify, evaluate and manage potential and actual threats to the Group’s ability to achieve its objectives.

The EVRAZ Enterprise Risk Management (ERM) process is designed to identify, quantify and respond to these threats, as well as to monitor the Group’s prevention and mitigation system. Management maintains a risk register that encompasses both internal and external threats. The level of risk appetite approved by the Board is used to identify particular risks and uncertainties that require specific Board oversight. In 2020, the process in relation to principal risks and uncertainties was consistent with the UK Corporate Governance Code, the FRC Guidance on the Strategic Report issued in July 2018 and the abovementioned FRC guidance issued in September 2014.

Executive management is responsible for both internal controls in place and mitigating actions related to risk management throughout the Group’s business and operations. This serves to encourage a risk-conscious business culture.

EVRAZ applies the following core principles to identifying, monitoring and managing risk throughout the organisation:

- Risks are identified, documented, assessed and monitored, and their profile is communicated to the relevant levels

of management team, regularly. The business management team is primarily responsible for ERM and accountable for all risks assumed in the operations.

- The Board is responsible for assessing the optimum balance of risk (risk appetite) through the alignment of business strategy and risk tolerance on an enterprise-wide basis. In addition, the Board oversees and approves risks above the Group’s defined risk appetite and reviews any significant internal control weaknesses.
- EVRAZ has established a reporting process involving business unit management teams and other relevant bodies at major enterprises. Its aim is to identify, evaluate and establish management actions for risk mitigation at a regional level, as well as at the Group’s major steel and mining operations. The Risk Management Group maintains a corporate risk register representing a summary of this information. Business unit management teams and other relevant bodies are accountable to the Risk Management Group, which consists of business unit and function vice presidents.

The Board has delegated primary oversight of the internal control process at EVRAZ to the Audit Committee, which discusses any major internal control findings exceeding the Board’s risk appetite.

The EVRAZ Business Security department is led by a vice president and has specific responsibility for preventing and detecting business fraud and malpractice, including fraudulent behaviour by employees, customers and suppliers. Robust internal controls help to minimise the risk, and the EVRAZ Business Security department ensures that appropriate processes are in place to protect the Group’s interests.

Internal audit

Internal audit is an independent appraisal function established by the Board to evaluate the adequacy and effectiveness of controls, systems and procedures at EVRAZ, which helps to reduce business risks to an acceptable level in a cost-effective manner. The Board approved the latest version of the internal audit charter on 22 January 2020.

The internal audit function’s role in the Group is to provide an independent, objective, innovative, responsive and effective value-added internal audit service. This is achieved through a systematic and disciplined approach based on assisting management in controlling risks and monitoring compliance, as well as improving the efficiency and effectiveness of internal control systems and governance processes. Once a year, the function provides an opinion of the overall effectiveness of the internal controls in place at EVRAZ.

During 2020, the Group’s head of internal audit and the secretary of the Audit Committee attended all the committee’s meetings and addressed any reported deficiencies in internal control as required by the committee.

The internal audit planning process starts with the Group’s strategy; includes the formal risk assessment process, consideration of the results of management’s internal control self-assessment, and the identification of management concerns based on the results of previous audits; and ends with an internal audit plan, which the Audit Committee approves.

Audit resources are predominantly allocated to areas of higher risk and, to the extent considered necessary, to financial and business controls

¹ The members of the Health, Safety and Environment Committee at 31 December 2020 were Karl Gruber (chairman), Alexander Frolov and Olga Pokrovskaya, who has continued as a non-executive member of the HSE Committee following her cessation as a Board member of the Company on 14 March 2016. With more than 50% of EVRAZ operations based in the Russian Federation, the committee continues to value the contribution she brings in terms of her technical and regional experience.

and processes, with appropriate resource reservation for ad hoc and follow-up assignments.

In 2020, internal audit projects covered the following risks of the Group:

- Cost effectiveness.
- HSE: health and safety.
- Capital projects and expenditure.
- Human resources.
- Potential regulatory actions by governments.

- Business interruption, as well as equipment and infrastructure downtime management.
- Transportation, sourcing, raw materials and energy supply.
- Digital effectiveness, as well as effective, efficient and continuous IT service.

The internal audit function at EVRAZ is structured on a regional basis, reflecting its geographic spread of operations. The internal audit function aligns common internal audit practices throughout

the Group via quality assurance and improvement programmes.

In 2020, EVRAZ engaged an independent party to ensure that the internal audit function's activities are in compliance with the requirements of the Institute of Internal Auditors (IIA), as well as the IIA's Code of Ethics and best international practices in internal audit. The Group's internal audit function received the highest rating in the independent review.

Components of the internal control system

Component	Basis for assurance	Action in 2020
Assurance framework — principal entity-level controls to prevent and detect error or material fraud, as well as to ensure the effectiveness of operations and compliance with principal external and internal regulations	<ul style="list-style-type: none">• Annual self-assessment by management at all major operations of the internal control system using the EVRAZ Assurance Framework.• Review of the self-assessment by the internal audit function.• Assessment of the overall effectiveness of the governance, risk and control framework.	In 2020, the internal audit function reviewed the results of management's internal control self-assessment and evaluated the overall effectiveness of the governance, risk management and internal control system. All major production sites were certified as having effective overall governance, risk management and internal control.
Investment project management	<ul style="list-style-type: none">• Effectiveness of project management and management of project risks is monitored by an established management committee and subcommittees.• Reviewed by the internal audit function.	In 2020, various activities were implemented to further improve the efficiency and effectiveness of the project management process, for example by creating a project risk register and training more than 50 project managers and project team members.
Operating policies and procedures	<ul style="list-style-type: none">• Implemented, updated and monitored by management.• Reviewed by the internal audit function.	Operating policies and procedures are updated as per the internal initiatives by the operational management and in response to recommendations from the internal audit function. The process of improving the internal regulation framework began in 2019 and continued in 2020.
Operating budgets	<ul style="list-style-type: none">• Approved by the Board.• Monitored by the controlling unit.• Reviewed by the internal audit function.	Operating budgets are prepared by the executive management and approved by the Board.

Approach to risk appetite

Risk appetite is an important part of the risk management process that serves as a measure of the risks that management is willing to accept in pursuit of value. The Board has approved a risk appetite in accordance with the risk management methodology adopted by EVRAZ.

Risk appetite is considered in evaluating strategies and setting objectives within the Group's strategic and budgeting cycle, in decision making and in developing risk management actions and methods, as well as in identifying particular risks and uncertainties that require specific Board oversight. The strategic objectives set by EVRAZ are aligned with, and risk mitigation actions are reflective of, the risk appetite approved by the Board. The Group adopts a robust approach in relation to risk management. Risk appetite for some specific business processes (eg health and safety,

fraud, security, bribery and corruption) is assessed, defined and evaluated separately from the rest of the processes.

Management reassesses the risk appetite at least annually via the Risk Management Group, which reports on the analysis performed to the Audit Committee. The committee then makes recommendations to the Board regarding the level of risk appetite. The Risk Management Group and the Audit Committee last reviewed the Group's risk profile in November 2020.

Based on the results of the most recent review, management concluded that the risk-acceptance approach employed by EVRAZ had not changed and that the risk appetite remained the same as in the prior year. An appropriate recommendation regarding the level of risk appetite was made to the Audit Committee and to the Board on 26 January 2021.

Objectives for 2021

Further development of the risk management system and risk management practices is planned for 2021.

In 2020, the Group was focused on enhancing its health and safety risk management methodology, including the risk of mass quarantine of workers due to COVID-19; this work will continue in 2021.

In 2021, in addition to continuing to implement ongoing initiatives focused on improving risk management (in HSE, equipment maintenance and repairs, IT projects and other processes), the Group plans to focus more on addressing environmental risks, which have always been a topic of focus for management and are recognised as principal risks for the Group.

STAKEHOLDER ENGAGEMENT

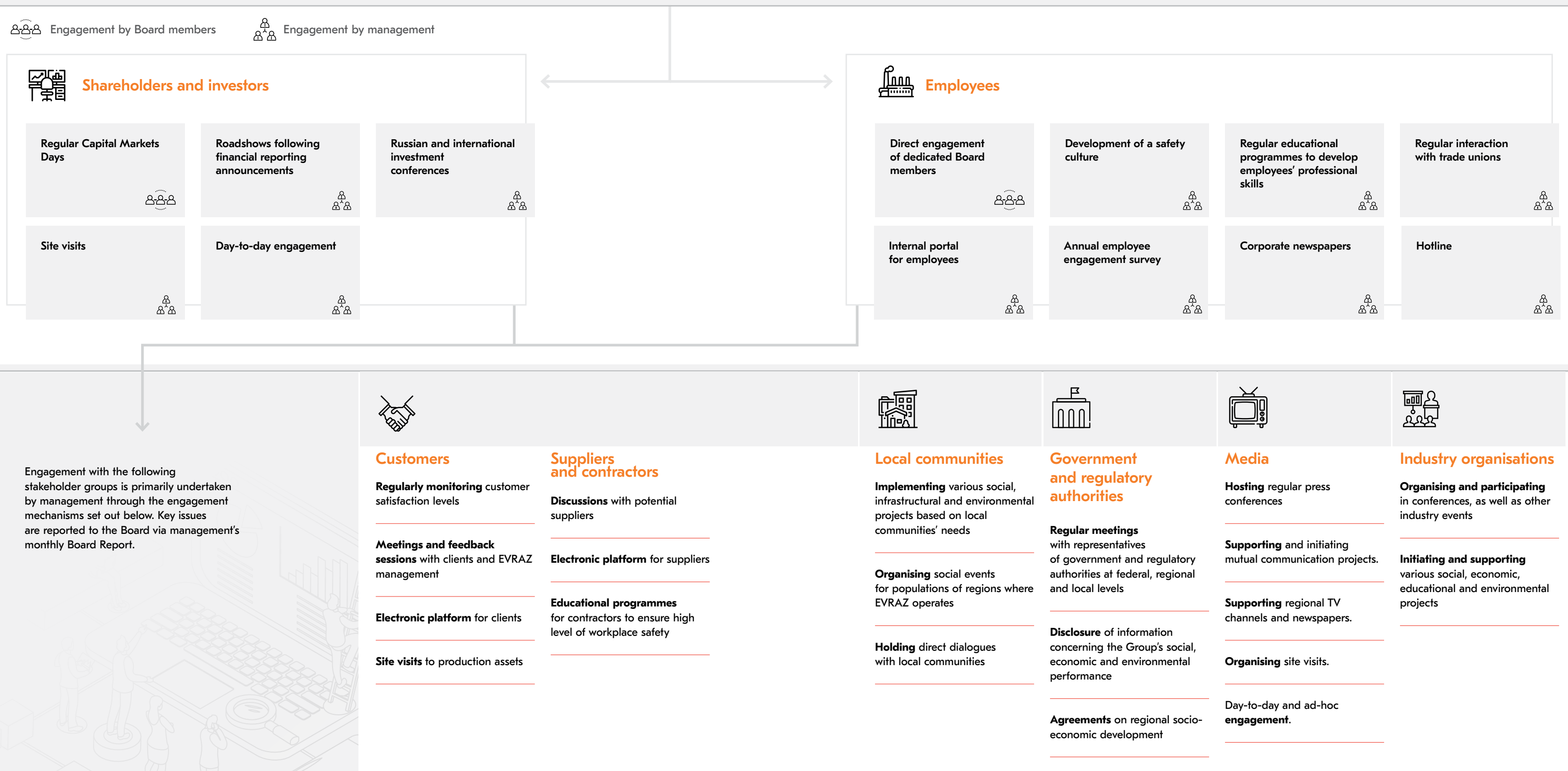
EVRAZ uses various communication channels to ensure that its stakeholder engagement approach covers all stakeholder groups and facilitates two-way communication and feedback.

The executive team is responsible for the day-to-day stewardship of all stakeholder relationships and its members report to the Board on the key metrics and initiatives. The Board, either directly or through its committees, engages or oversees engagement

with the Company's stakeholders through a number of governance activities (which are described in more detail, along with further information about the Company's engagement with key stakeholders, **on page 136**).

Our goal

To build honest and supportive relationships with all stakeholders on its path towards sustainable development.



AUDIT COMMITTEE REPORT



Deborah Gudgeon
Independent Non-Executive Director,
Chairman of Audit Committee

I am pleased to present the Audit Committee Report for the year ended 31 December 2020.

The emergence of COVID-19 at the beginning of the financial year impacted the committee's work in certain ways. From March 2020, all meetings were held virtually and it was not possible to hold a meeting at one of the operations, as originally scheduled. The impact of the pandemic on all aspects of the committee's responsibilities and work was regularly evaluated throughout the year.

I would like to extend the thanks of the committee to the executive and financial management of the Group, the internal audit department and our external auditor, EY, for their continuing diligence and valued contribution to the work of the committee during this challenging year.

ROLE AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

The work of the committee is determined by its terms of reference. These were reviewed and updated in August 2020 and can be accessed at: www.evraz.com.

The Audit Committee minutes are tabled at Board meetings for consideration and the chairman updates the Board orally on the committee proceedings, making recommendations on areas covered by its terms of reference, if appropriate.

The Audit Committee reviews the Group's governance, risk and control environment annually, together with the risk register and risk appetite proposed by the management, before they are considered by the board.

I confirm, on behalf of the Group, its compliance during the financial year commencing 1 January 2020 with the provisions of the Competition

and Markets Authority Order 2014 on mandatory tendering and audit committee responsibilities.

COMMITTEE MEMBERS AND ATTENDANCE

The Audit Committee members are all independent non-executive directors and, between them, have a wide range of skills and experience. Deborah Gudgeon has recent and relevant financial experience and Alexander Izosimov provides key strategic expertise. Laurie Argo has extensive commercial and financial experience in the North American market. As disclosed in the Corporate Governance report on **page 110**, Olga Pokrovskaya attends Audit Committee meetings by invitation, providing additional technical expertise and valuable regional knowledge.

The CFO and senior members of the Group's finance function, the head of internal audit and the external auditors attend all committee meetings.

During the year, key members of the executive management and Risk Management Group are invited to attend Audit Committee meetings to present on specific matters. During 2020, these included the CEO and the vice presidents of strategy, commerce and business development, HSE, IT, legal, human relations and the Group's compliance officer.

Other members of the management team and internal audit function are invited to attend committee meetings as appropriate.

The committee met nine times during 2020 and three times in early 2021 prior to the publication of this Annual Report. Due to the COVID-19 pandemic, only two meetings were in person. Eight of these meetings were held by video conference and two by a telephone conference.

ACTIVITIES AND WORK OF THE COMMITTEE DURING 2020

The Audit Committee has continued to focus on the integrity of the Group's financial reporting, the related internal control framework and risk management, including finance, operations, regulatory compliance and fraud. These areas were comprehensively reviewed and the committee received regular updates from the Group's financial and operational management, internal audit, compliance officer and vice president of legal affairs, as well as the external auditor.

The committee's continuing focus on the IT security of the Group was strengthened following the cyberattack on the North American operations in March 2020. The committee reviewed a detailed report on the attack in June 2020, together with the recommendations from Accenture in respect of the IT security architecture and emerging risks, and considered the implications for the whole business. Progress against the updated North American mitigation plan was monitored throughout the year. The risk mitigation plan for the Russian business was also updated and expanded to reflect the experience in North America, emerging risks and the results of the EY assessment in November 2019. The committee recommended that a common IT governance structure be implemented across the business and welcomed the establishment of the Information Security Committee headed by the CEO. Given the significance of IT security to the Group's risk profile and resilience, and the level of digital transformation throughout the business,

this will remain an area of focus for the Audit Committee in 2021 and beyond.

Ahead of the implementation of ISA (UK) 570 (revised), the Audit Committee requested the external auditor to perform certain agreed procedures on the 2019 reporting process and year end position to undertake certain of the additionally required procedures of the new standard and so provide the Committee with some assurance as to the Group's readiness for the new standard. The management controls and processes underpinning the going concern assumption were reviewed, challenged and benchmarked against examples of best practice. The Group's process for evaluating a severe but plausible downside scenario over the going concern period was also considered. In June 2020, the Audit Committee reviewed the EY report and accepted the limited recommendations made by the external auditor.

During 2020, the committee reviewed progress on a number of ongoing projects. These included the repair and maintenance transformation project, the standardisation of the procurement contract process, as well as the project to improve inventory and product shipment controls at one of the operations. The committee also reviewed the Group's management of working capital.

The committee updated its own terms of reference and undertook a self-assessment to consider the performance of the committee.

The Group's financial reporting procedures (FRP) manual was also reviewed and updated. The effectiveness and status of the anti-corruption policy and sanctions risk compliance controls were reviewed throughout the course of the year, together with progress to meet the recommendations of the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

At the request of the Board, the Audit Committee reviewed the pro forma Viability Statement and supporting analysis, which was produced by the management and reviewed by the Risk Management Group. The Audit Committee considered the scenarios being tested in the context of the updated risk register, current operating environment and the Group's strategy. The assumptions and mitigating actions underpinning each scenario and the capital required for the effective operation of the business were also reviewed. The scenario testing of the Group's resilience to a cyberattack was updated to reflect the real-world experience gained in 2020. The committee also considered the emerging risks that EVRAZ faces, primarily climate change. These risks were extensively assessed during development of the Climate Change Strategy in 2020 and found not to currently pose a critical risk to the business over the period of the viability testing. The Audit Committee will review this annually.

SIGNIFICANT FINANCIAL REPORTING ISSUES CONSIDERED IN 2020

The Audit Committee's primary objective is to support the Board in ensuring the integrity of the Group's financial statements and Annual Report, including review of:

- Compliance with financial reporting standards and governance requirements.
- The material financial areas in which significant accounting judgements have been made.
- The critical accounting policies and substance, consistency and fairness of management estimates.

- The clarity of disclosures.
- Whether the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's performance, business model, strategy, principal risks and uncertainties.

The Audit Committee considered several financial reporting issues in relation to the interim results for H1 2020 and the financial results

for the year ended 31 December 2020. These included the appropriateness of the accounting policies adopted, disclosures and management's estimates and judgements. The committee considered papers produced by the management on the key financial reporting judgements and reviewed reports by the external auditor on the audit process for the full-year and interim results.

The financial statements are impacted by fluctuations in the key functional

currencies of the business (primarily the Russian rouble) against the US dollar, the presentation currency of the financial statements, as set out in Note 2. As a result, the analysis of balance movements in the financial statements between reporting periods can be difficult, although the management separately reports the forex impact for key movements.

Going concern (Note 2)

EVRAZ is exposed to a wide range of risks and inherent uncertainties as set out on **pages 90-95**, many of which are outside the control of the Group. While the onset of the COVID-19 pandemic in early 2020 resulted in a significant fall in the demand for steel products across the world, there was a material rebound in EVRAZ's key markets during the second half of the year. The Audit Committee reviewed management's going concern analysis which tested three scenarios: a base case; a flexed downside scenario based upon pricing close to the bottom of the range of current investment analyst forecasts; and an additional stressed downside scenario based upon the 2009 reported results of the Group, the lowest since the Group listed in 2005, which assumed prices for steel, coal and iron ore significantly below management's current forecasts. The Committee challenged management to validate the additional stressed downside scenario given the changes in the Group's asset base and steel capacity since 2009 and accepted the analysis produced which demonstrated that some low –performing assets in South Africa, Ukraine, North America and the Czech Republic had been disposed and replaced by more profitable operations in the Russian Federation. In addition, management tested a potential scenario in which the coal assets are demerged in the going concern period.

The committee carefully considered the projected use and sources of funds for the period to June 2022, which includes scheduled loan repayments, new committed funding, free cash flow after committed capital expenditure and the dividend policy. Given the volatility of the global supply and demand environment in which EVRAZ operates and the continuing pandemic, the committee focused on the flexed downside scenario and the implications for free cash flow and compliance with financial covenants. Although COVID-19

has had a limited impact on the Group's business to date and with the signs of recovery in key markets, the committee also considered the additional stressed downside scenario and the reverse stress testing undertaken by EY. The implications of the potential coal demerger was also considered.

Following these detailed considerations, the Audit Committee resolved to recommend the going concern basis of preparation for the Financial Statements as at 31 December 2020 to the Board.

Significant accounting judgements and management estimates

Impairment of goodwill and non-current assets (Note 7)

The committee considered the management's impairment assessment for the financial year in the context of the current and future trading environment for the Group, including assumptions as to the continuation of tariffs and duties in North America and their impact on the recoverable amount of the affected assets. Impairment testing was undertaken at 30 September 2020 and reassessed at 31 December 2020, when no further impairment triggers were identified.

The recoverable amount of all cash generating units tested in 2020 were determined by their value-in-use. In 2019, the recoverable amount for large diameter pipes was determined on the basis of fair value less cost of disposal, as the management considered that it provided a more reliable result and could be compared to a recent relevant open market transaction. The relative weakness of the rouble means that the carrying value of Russian cash-generating units remains low in US dollar terms; but they remain largely unchallenged by value-in-use comparisons, even if the pricing outlook is assumed to deteriorate.

An impairment charge of US\$310 million is recorded in the financial statements for 2020. This primarily relates to the large diameter pipe business in Canada, where a charge of US\$234 million is recognised

(goodwill US\$65 million, intangibles US\$16 million and PPE US\$153 million) and the oil country tubular goods cash generating unit, where a goodwill impairment of US\$67 million has been recorded. The committee considered the management's reassessment of demand for steel, oil and commodities in the US and Canada, which it is assumed will only partially recover in 2022, together with the continuing implications of trade barriers and the long-term outlook for these businesses, and accepted the management's proposed impairment charges.

Recovery of deferred tax assets

Given the management's reassessment of North American demand, the Audit Committee considered the recoverability of the net deferred tax assets, most of which relate to EVRAZ North America, together with tax planning strategies available to the Group. As a result, the committee is satisfied that the deferred tax assets are recoverable.

Other matters

The potential demerger of the Group's coal assets

Further to the Company's announcement on 26 January 2021, management is currently considering the strategic merits of. The consolidated coal assets constitute a major business segment to be treated as a discontinued operation if the demerger meets IFRS 5 requirements. However, as at 31 December 2020 and the date of the annual report, there was no certainty as to whether the demerger would proceed. The Committee considered the accounting treatment and concluded that, given the uncertainties, the Coal segment should not be treated as a discontinued operation in the 2020 financial statements.

Reverse factoring

In 2020, certain suppliers sold their accounts receivable from the Group to a bank under non-recourse factoring contracts. Trade payables subject to these arrangements are payable in 60-180 days enhancing the Group's management of working capital. Management analysed these reverse factoring arrangements and, as they do not contain a financing element, determined that they should continue to be presented as trade

payables in the financial statements. At 31 December 2020, US\$188 million was outstanding and included in trade payables. The Audit Committee reviewed and agreed with this treatment.

Fair, balanced and understandable

In considering whether the Annual Report is fair, balanced and understandable, the committee reviewed the information it had received, discussions held with the management throughout the year and the preparation process adopted. The management agreed the key overall

messages of the Annual Report at an early stage to ensure a consistent message in both the narrative and financial reporting. Regular meetings were held to review the draft Annual Report and for the management and committee members to provide comments, and detailed reviews of the appropriate draft sections were undertaken by the relevant directors and external advisers. In particular, the committee considered whether the description of the business, principal risks and uncertainties, strategy and objectives were consistent with the understanding of the Board, and whether the controls

over the consistency and accuracy of the information presented in the Annual Report are robust.

Taking into account the disclosure implications of the issues discussed in this report, the committee recommended to the Board that, taken as a whole, it considers the Annual Report to be fair, balanced and understandable. The Audit Committee recommended approval of the Group's 2020 Consolidated Financial Statements by the Board. Both recommendations were accepted by the Board.

OTHER MATTERS

UKBA

During 2020, the Group extended its policies relating to anti-corruption through the addition of policies relating to conflict of interest situations and charity and sponsorship, as set out on **page 80-83**. Using the updated framework for monitoring compliance with EVRAZ' anti-corruption policies and identifying risk, compliance during 2020 was tested and the results reported to the Audit Committee in February 2021. The testing indicated further progress in reducing risk.

Anti-corruption training is online and, as a result, was not impacted by the pandemic. In 2020, a total of 2,200 managers completed the course developed by Thomson Reuters. In addition, several bespoke training modules were developed in-house by the EVRAZ compliance team. This approach will be developed further in 2021 to create a total internal programme covering anti-corruption, significantly extending the capacity to provide both initial and refresher training across the Group.

Sanctions compliance controls

The committee continued to monitor compliance with the current sanctions regime during 2020, including the control processes, procedures and reporting framework. The implications of the United Kingdom's departure from the European Union upon the sanctions regime is currently under investigation and will be reviewed by the Audit Committee in 2021, along with any other changes.

RISK MANAGEMENT AND INTERNAL CONTROL

This should be read in conjunction with the Risk Management and Internal Control section on pages 112-115.

EVRAZ has an integrated approach to risk management to ensure that the review and consideration of current and emerging risks inform the management of the business at all levels, the design of internal controls and the internal audit process. The Group's financial reporting procedures, internal controls, risk management systems and activities are documented in a comprehensive FRP manual. The manual was updated and reviewed by the Audit Committee in December 2020.

The risk profile was reviewed and updated in July 2020 to incorporate the effects of COVID-19 and the Group's response. The Risk Management Group and the Audit Committee further reviewed the Group's risk profile in November 2020 and finalised the assessment in January 2021. The assessment includes the Risk Management Group's recommendation on the level of risk appetite of the Group and how that appetite is applied to strategic and operational business decisions. This was reviewed by the Audit Committee, along with the draft Statement of Principal Risks and Uncertainties to be included in the Annual Report, prior to the Board's consideration.

Internal audit findings on control issues that exceed the Group's risk appetite are reported to the Board by the Audit Committee and followed up by the Group's Management Committee. Progress on the timely and effective resolution of issues is monitored regularly by the committee.

The Audit Committee receives quarterly updates on whistleblowing reports, together with a bi-annual security report on the progress of follow-up investigations and resulting actions in relation to fraud and theft. Any significant whistleblowing report is reported to the committee on an ad hoc basis when it arises.

Assessment of the Group's Risk Profile and Control Environment

Internal audit evaluates the overall effectiveness of the Group's governance, risk and control environment annually and this is considered by the Risk Management Group and the Audit Committee. The chairman of the Audit Committee tables the internal audit report assessment of the governance, risk and control environment with the Board.

The Audit Committee monitors the internal control environment throughout the year and engages with the executive management to ensure the resolution of any deficiencies identified by internal audit.

The mitigation of health and safety risks across the business continued to be an area of focus during 2020. The committee reviewed reports from both internal audit and the industrial safety team, in addition to regular updates from the management. Following the cyberattack at EVRAZ North America in March 2020, the committee was regularly updated on the deficiencies exposed by the attack, the mitigation plan developed by the management and progress against this plan. The Audit Committee also continued to review information security risks across the business by way of updated annual assessments and consideration of initiatives to mitigate the evolving risk environment. Progress on projects to automate payment processes and to standardise procurement

contract documentation were also considered. Other areas reviewed were the repair and maintenance transformation project across the Russian assets, as well as the ongoing project to optimise product inventory and shipment control at one of the plants. The Audit Committee considered whether any of these matters had implications for the risk and control environment of the Group.

INTERNAL AUDIT

The Audit Committee receives quarterly internal audit reports detailing significant findings, progress on the timely and effective resolution of outstanding findings, the status of ad hoc projects and any revisions to the current year audit plan. The internal audit plan for 2021 was reviewed by the Audit Committee and revisions proposed to reflect the updated risk profile of the business and the continuing pandemic, as well as to prioritise

key business cycles and controls from a risk perspective. Overall, the committee considers the current internal audit resource to be adequate for the internal control and risk management assurance requirements.

The Audit Committee reviewed the Internal Audit Charter in January 2021 and concluded that no changes were required. The key performance indicators for the internal audit function were also

reviewed and updated in January 2021. An annual assessment of the effectiveness, independence and quality of the internal audit function by committee members, the management and the external auditor was undertaken and was again found to be satisfactory. Deloitte undertook an external assessment of internal audit in Russia, the CIS and Europe in 2020 and found that the function fully complies with internal audit standards with no significant findings.

EXTERNAL AUDIT

The Audit Committee is responsible for monitoring the ongoing effectiveness and independence of the external auditor, as well as making recommendations to the Board on the re-appointment of the external auditor.

During 2020, the Financial Reporting Council Audit Quality Review (AQR) team undertook a review of EY's audit of the financial statements of EVRAZ for the year ended 31 December 2019. As part of this review, the AQR team interviewed the chairman of the Audit Committee. The review scope included

the key audit matters identified by EY in their 2019 report, as well as certain other audit areas, the quality of communication with the Audit Committee and matters related to planning, completion, ethics and quality control. The report was completed in November 2020 and shared with the chairman of the Audit Committee. The AQR found that only limited improvements in the audit were required, primarily relating to the provision of sufficient documentation in audit files to evidence certain assumptions and procedures relating to some key audit matters. The committee discussed

the report with the external audit team, reviewed the actions proposed by EY to remedy the matters raised by the AQR and was satisfied that the deficiencies identified were being addressed. The Financial Reporting Council intend to publish the inspection report in 2022, after the forthcoming Consultation Document on the government's approach to reform of corporate reporting and audit.

At the request of the committee, the external auditor provided a detailed assessment of the impact of COVID-19 on their audit approach in 2020,

particularly with regard to significant risks and fraud risks. The assessment concluded that the requirement to undertake some work remotely was mitigated by EY's digital approach, the involvement of forensic specialists in the identification and response to fraud risks, the high degree of continuity in the group audit team and coordinated efforts from both EY and the management. The Audit Committee reviewed and accepted the assessment of the external auditor.

Effectiveness and Independence

The Audit Committee has an established framework through which it monitors the effectiveness, independence, objectivity and compliance of the external auditor with ethical, professional and regulatory requirements. These include:

- Review and approval of the external audit plan for the interim review and year-end audit, including consideration of the audit scope, key audit risks, audit materiality and compliance with best practice.
- Review and approval of the external auditor's engagement letter.
- Review of the FRC's annual Quality Inspection Report of July 2020 and the EY response.
- Consideration of EY's reports on the interim review, annual report and representation letters.
- Review of the EY management letter on the 2019 audit, consideration of the management's response and proposed actions.

The committee is updated on the key risk areas throughout the audit process by both the external auditor and the management, providing transparency and allowing the committee to assess the assumptions underpinning each position, as well as the robustness and level of the challenge provided by EY to the management in arriving at an agreed position.

The committee has continued to monitor the enquiries into the independence of audit firms, the effectiveness of the audit process during 2020 and the EY response. There continues to be a constructive

engagement with the external auditor to determine the implications of recommendations on the EVRAZ audit process both in current and future years.

The management and members of the Audit Committee completed a questionnaire to assess the effectiveness and independence of the 2019 external audit process during 2020, which was found to be satisfactory.

Although the Audit Committee has not been able to meet with the external auditor in person since February 2020 due to COVID-19, there has been a regular virtual dialogue without the management to consider the appropriateness of the Group's accounting policies and audit process. During 2020, the external auditor confirmed that these policies and processes were appropriate. The committee chairman also had regular virtual meetings with the Senior Statutory Auditor outside of committee meetings.

Engagement of the external auditor for non-audit services is managed in accordance with the Group's policy, which can be found on the website www.evraz.com. This policy identifies a range of non-audit services, which are prohibited on the basis that they might compromise the independence of the external auditor. It also establishes threshold limits for the level of non-audit fees relative to audit fees and authorisation processes for the approval of fees.

During 2020, non-audit fees totalled US\$521,000 and included US\$465,000 in respect of the interim review (in 2019, the total was US\$1,178,000, including US\$543,000 in respect of the interim review). The balance in 2020 included US\$39,000 in respect of the Group's Sustainability Report and US\$14,000 for the provision of verification services for a financing facility. Non-audit fees were 19% of the 2020 audit fee of US\$2.8 million, compared to 40% of the audit fee in 2019. Irrespective of the prior approval of the CFO and Audit Committee chairman, all fees are reported to the Audit Committee for noting and comment.

Re-appointment of the external auditor

Following a tender process in 2016, the committee recommended the re-appointment of Ernst & Young LLP (EY) as external auditor for the years ended 31 December 2017 and 2018. After consideration of the UK Corporate Governance Code, EU legislation on audit regulation and the performance of EY, the committee recommended in 2017 that, subject to the agreement of appropriate terms, a further tender be deferred until the year ended 31 December 2021, with the process being undertaken in the summer of 2020 to allow for an orderly and effective rotation. Given the exigencies of the COVID-19 pandemic and travel restrictions, the committee determined that a fair and effective tender process could not be undertaken in 2020 and that the tender should be further deferred until these criteria could be met. The committee will monitor the situation during 2021 to determine the most appropriate time to reschedule the tender process. The latest regulatory guidance, the terms agreed with EY in respect of the year ended 31 December 2021 and the performance of EY were all considered by the committee in reaching this decision.

EY was appointed as external auditor of EVRAZ plc in 2011. The current audit engagement partner, Steve Dobson, assumed the role for the year ended 31 December 2016 and will step down following the conclusion of the audit for the year ended 31 December 2020 and be replaced by Danny Trotman.

The Audit Committee continues to consider EY to be effective and independent in its role as auditor and has provided the Board with its recommendation to the shareholders that EY be re-appointed as external auditor for the year ended 31 December 2021.

NOMINATIONS COMMITTEE REPORT



Sir Michael Peat
Senior Independent Non-Executive Director,
Chairman of Nominations Committee

The Nominations Committee has continued to review developments in corporate governance and to ensure that the Group adheres to best practice. It monitors the Board's composition to ensure that it remains appropriate for the Company. With two of the five independent non-executive directors needing to retire at the 2021 annual general meeting having completed nine years on the Board, a search process has commenced. Currently, two of the Board's nine members are female, which is below the Hampton-Alexander review recommended level. This will be taken into account when the next director appointment is made; however, all appointments will be made on the basis of merit.

The Board delegates the Nominations Committee's role and responsibilities, which are set out in the written terms of reference:
<https://www.evraz.com/en/company/governance/policies/#reference>

ROLE

The Nominations Committee is responsible for making recommendations to the Board on the structure, size and composition of the Board and its committees. It also oversees succession planning for directors and senior management.

COMMITTEE MEMBERS AND ATTENDANCE

The Nominations Committee members at 31 December 2020 were Sir Michael Peat, Alexander Izosimov, Karl Gruber, Alexander Abramov and Eugene Shvidler. Sir Michael Peat served as the chairman of the Nominations Committee throughout the year.

Three of the five committee members were independent non-executive directors.

The committee met on three occasions during 2020. As reported on **page 110**, all members were in attendance for all meetings.

The CEO attended all meetings and the company secretary acted as the committee's secretary.

ACTIVITY DURING 2020

During 2020, the Nomination Committee considered the following matters.

Board and committee composition

The Board agreed that its size and its committees were appropriate for the Group's ongoing needs. The committee determined that the Board represented a good mix of skills and experience. It also found that

EVRAZ had benefited from having a stable board and a group of people who interact well.

Succession planning

The Nominations Committee considered succession planning for the independent non-executive directors, in the context of length of service. Three of the five independent non-executive directors

are due to retire at the 2021 or 2022 AGMs. The search for their replacements commenced in 2020.

The committee also paid close attention to senior management succession.

The committee has engaged The Inzito Partnership as an external search consultancy to assist with the recruitment of two independent non-executive directors

to join the Board during 2021. The Inzito Partnership has no other contractual relationships with the Group.

Board performance evaluation

In 2020, as required by the UK Corporate Governance code, the Company undertook a Board performance evaluation using an external facilitator, Lintstock LLP. Following the review's conclusion,

the committee considered the outcome of the report and prepared an action plan for the Board to review and agree. The plan reflected continuing improvements to the Board process, information flow and induction.

The outcome of the review and the action plan are described in the Corporate Governance section on **page 111**.

Independence of non-executive directors

The Nominations Committee reviewed the independent status of the non-executive directors based on the provisions in the UK Corporate Governance Code. It confirmed the appropriateness of the independent status of each of the independent non-executive directors.

PERFORMANCE OF CHAIRMAN AND INDIVIDUAL DIRECTORS

The senior independent non-executive director sought views from all directors about the performance and contribution of the chairman. The conclusions of this review were considered by the independent non-executive directors at a meeting on 19 February 2021.

The review concluded, as previously, that the chairman continues to make an important contribution to the Group, including through his industry knowledge, experience and contacts. It also noted that the chairman was not independent on appointment as required by Provision 9 of the UK Corporate Governance Code. However, it found that in view of his experience and knowledge, his independence of judgement was not considered to be impaired.

In addition, the review noted that the chairman has been in his post since the IPO in October 2011. He has therefore served in excess of nine years, longer than the limit suggested by Provision 19 of the Code. The Nominations Committee has considered this situation and, as described above, values his extensive experience and expertise of the Group's key markets and of the steel

sector. The committee believe his continuing as chairman is in the Company's best interest. In addition, during a period of transition of board members having the same chairman helps with the Board's continuity and stability. The committee therefore, with the chairman recusing himself, recommended to the Board that he be put forward for re-appointment at the 2021 AGM.

The chairman of the Group and the chairman of the Nominations Committee discussed the performance of the individual directors, including time available to devote to the Group's business. They noted no concerns and determined that no independent non-executive director had a significant number of roles.

Diversity policy

The Board's diversity policy is to have Board membership that reflects the international nature of the Group's operations and includes at least two women as board members.

The Board currently meets these criteria.

The committee continues to review and monitor the Group's performance against its diversity policy, including aspects such as age, gender and educational and professional backgrounds. More information about diversity is disclosed in the CSR report on **page 69**.

The Nominations Committee and the Board are committed to meeting best practice standards in gender and ethnic diversity. While the nature of the steel and mining industries makes this more challenging, it does not diminish the committee's and the Board's commitment. In 2020, the committee discussed Board diversity amid the search for two new independent non-executive directors to replace those retiring after having served their nine year terms. The Board hopes to be able to appoint another female director and a director who will broaden the Board's ethnic diversity. It will, of course, balance this with appointing directors who can best serve the Company's and shareholders' interests by providing excellent governance and appropriate challenge. It is also important for one of the new directors to have knowledge of operating an integrated steel business substantially based in the Russian Federation.

2021 PRIORITIES

The Nominations Committee will continue to fulfil its general responsibilities with particular emphasis on compliance with the UK Corporate Governance Code, Board diversity and succession planning.

The committee will conclude a search to replace those independent non-executive directors who will stand down at the 2021 AGM after serving for nine years.

In addition, the committee will continue to consider development and succession planning for senior management.

HEALTH, SAFETY AND ENVIRONMENT COMMITTEE



Karl Gruber
Independent Non-Executive Director
Chairman of Health, Safety
and Environment Committee

In 2020, EVRAZ concentrated its health, safety and environment efforts on implementing a new approach to safety culture improvement by engaging employees in the risk identification and mitigation process. The Group also focused on responding to the COVID-19 pandemic by ensuring safe working conditions for employees, as well as supporting medical institutions and local communities. These efforts led to a considerable 22% improvement in the lost-time injury frequency rate and reduced the number of fatalities by more than two-fold. Despite these achievements, five tragic fatalities of our employees occurred during the past year.

During the reporting period, EVRAZ laid a solid foundation for improving its environmental performance over the next 10 years. This included assessing climate risks, applying best environmental practices, considering stakeholder expectations and developing an ambitious Environmental Strategy.

The Group believes that this is the optimal approach to improve its safety and environmental performance in the future.

Role and responsibilities

The Health, Safety and Environment (HSE) Committee reports to the Board of Directors on matters concerning employee wellbeing and occupational safety, as well as protecting the environment and local communities where EVRAZ operates. It receives monthly HSE updates and provides a quarterly report to the Board, and its tasks include:

- Assessing the effects of the Group's HSE initiatives on key stakeholder groups, such as employees and local residents, as well as their reputational impact.
- Liaising between management and the Board when there have been fatalities or serious incidents in the workplace, including to ensure that remedial action is implemented effectively.
- Reviewing HSE strategy, monitoring pertinent parts of any independent operational audits and making recommendations for action or improvement as deemed necessary.

Committee members and attendance

As of 31 December 2020, the members of the HSE Committee included Chairman

Karl Gruber, as well as Alexander Frolov and Olga Pokrovskaya.

In 2020, the committee held three meetings: regular meetings on 4 February and 28 July, as well as one additional meeting on 22 October to review the Risk Management Project implementation and Environmental Strategy development process. All committee meetings had a necessary quorum and were convened as required. The meetings included reviews of current issues and HSE initiatives at the divisional level.

Activities during 2020

Below is a summary of the HSE Committee's performance of its duties in 2020.

HSE performance review

Throughout the year, the committee applied the following criteria to review the Group's HSE performance:

- Fatal incidents.
- Lost-time injuries (LTI).
- Lost-time injury frequency rate (LTIFR), calculated as the number of injuries resulting in lost time per 1 million hours worked.
- Enforcement of cardinal safety rules.

- Progress of health and safety initiatives.
- Industrial safety risk assessment.

In the aftermath of every fatality, severe injury and incident involving significant damage to property at EVRAZ, the HSE Committee conducts an investigation to determine the root cause, as well as to establish courses of remedial action. This involves recording a detailed description of the scene, the sequence of events, root cause analysis and corrective measures implemented.

The committee applies the following criteria to evaluate the Group's environmental performance:

- Key air emissions, including nitrogen oxides (NO_x), sulphur oxides (SO_x), dust and volatile organic compounds.
- Non-mining waste and by-product generation, recycling and re-use.
- Fresh water intake and water management aspects.
- Non-compliance related environmental levies (taxes) and penalties.
- Environmental commitments and liabilities.
- Major environmental litigation and claims.
- Asset coverage with environmental permits/licenses.
- Public complaints.

- Material environmental incidents and preventative measures.
- Environmental risk assessment.

In 2020, the committee also reviewed new environmental metrics to measure the implementation of the Environmental Strategy.

HSE strategy review

In 2020, the HSE Committee conducted three reviews of the Risk Management Project, a new corporate HSE initiative. The project methodology consists of a set of existing, known HSE tools and best practices, which were initially tested during 2019. Additionally, the project's approach fosters more intensive interaction among workers and their supervisors by means of health and safety training, safety conversations and using the motivational tools applied within the EVRAZ Business System.

The committee's members reviewed the implementation of the new risk management tools, training programme and facilitation based on risk hunting. The next stage of the project will be related to revision of the health and safety management system and auditing the processes. In addition, the committee supported the divisional management's efforts in the following HSE initiatives, finding that the priorities are generally on track:

- Health and safety initiatives, such as the implementation of a lockout-tagout (LOTO) system, review of contractor management requirements and mine safety programmes.
- Environmental programmes, including air emission, water consumption and waste management initiatives.

During the year, the HSE Committee discussed the Group's Environmental Strategy and Climate Change Strategy after reviewing the matter at the request of the Board of Directors. The committee reviewed scenario analysis results, key identified climate risks and opportunities, as well as a map with climate change risks relevant for EVRAZ. The results of this process were

presented in the first EVRAZ Climate Change Report, which was developed in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures. The report was published in November 2020 and demonstrates how the Group will manage the climate risks and presents the results of conducted climate risks analysis.

The committee's members approved the EVRAZ Environmental Strategy and agreed that it sets ambitious environmental goals that meet the expectations of regulators, society and investors. To ensure the transparency of measurements, the Group will introduce online monitoring of sources of controlled emissions at metallurgical plants.

HSE regulatory changes

In 2020, the HSE Committee evaluated the risks and opportunities related to the introduction of new regulation. Over the reporting period, EVRAZ reviewed drafts of HSE-related legislation for the Russian Steel Association's HSE Committee, helping the steel industry to form positions in various areas, including:

- EU carbon border tax regulation.
- Regulation of greenhouse gases in Russia.
- Integrated environmental permits in Russia.
- On-line monitoring requirements for air emissions and water discharges.
- Air emission quotation systems in Novokuznetsk and Nizhny Tagil.
- A new state decree on tariff setting rules for municipal water treatment services in Russia.

The HSE Committee acknowledges the risks involved and recommended a proactive approach in alliance with the business community and steel producers. The committee also recommended to incorporate those issues into the Environmental Strategy.

HSE audit review

During the reporting period, the Group's operations underwent compliance inspections of state supervisory

agencies and internal HSE auditors, and the committee reviewed:

- The HQ Industrial Safety Department's audits of processes and structural units at EVRAZ facilities.
- The environmental risks identified via the HQ Environmental Management Directorate's internal audit and risk assessment process.
- The Internal Audit Department's audits of the HSE function.
- External environmental inspections carried out by environmental regulators, as well as the implementation of remedial action.

Community relations performance

In 2020, the HSE Committee reviewed the Group's CSR events, as well as an update on social programmes aimed at:

- Improving the quality of life in local communities.
- Developing infrastructure, sport, educational and cultural programmes.
- Helping children with special needs.
- Caring for the environment.
- Promoting a responsible attitude towards safety at work and home.

During the year, the committee reviewed COVID-19 statistics and measures to ensure safe working conditions for employees, as well as to support medical and preschool institutions in local communities where the Group operates.

In addition, the committee reviewed the results of the annual reputation audit, engaging businesses, clients, media, government representatives and local communities. The efforts that EVRAZ undertook to build sustainable partnerships with key stakeholders were rated as satisfactory. The Group's reputation index shows sustainably high performance over the last three years.

For more details on HSE issues, see the CSR Report on **pages 56-67** →

REMUNERATION REPORT



I am pleased to present EVRAZ’ annual report on directors’ remuneration and to confirm that the committee has taken its decisions fully in line with the shareholder-approved policy. This policy is designed to help deliver the Group’s sustainable business objectives and maximise long-term returns to shareholders. I am pleased to report our new remuneration policy was confirmed at the 2020 AGM with 95.9% approval.

Alexander Izosimov
Independent Non-Executive Director,

Chairman of the Remuneration Committee

INTRODUCTION

This report has been prepared in accordance with the relevant UK company laws and regulations (the “Regulations”). It also meets the relevant requirements of the Financial Conduct Authority’s Listing Rules and describes how the Board has applied the principles of good governance as set out in the 2018 UK Corporate Governance Code (July 2018).

This report contains both auditable and non-auditable information. The information subject to audit by the Group’s auditors, Ernst & Young LLP, is set out in the Annual Remuneration Report and has been identified accordingly.

Directors’ remuneration policy

The current Remuneration Policy was approved by shareholders at the Annual General Meeting (AGM) in June 2020. The Regulations require that shareholders formally approve the policy every three years and therefore the next occasion will be at the AGM in 2023.

This policy is broadly the same as the previous version as, following a review by the committee, it was felt to still be appropriate for the Group’s requirements. However, the committee has made some small changes to better reflect current market practice, as detailed below.

Annual remuneration report

The second part of the report, the Annual Remuneration Report, sets out details of remuneration paid in 2020 and how the Group intends to apply its Remuneration Policy in 2021. This section will be put to an advisory shareholder vote at the forthcoming AGM.

Key decisions taken during the year

The committee operated under its terms of reference (as described on **page 139**) without conflicts of interest and having sought advice to determine the future policy.

The committee assessed the performance of the CEO against predetermined KPIs and targets as well as the overall performance of the Group and concluded that the CEO’s annual bonus payout for 2020 should be 59.75% of the maximum. This assessment included a review of the performance of the business according to ESG parameters and positive developments achieved during the year that set the business up for future improvements. Despite global uncertainty and the negative impact on world economies caused by the COVID-19 pandemic, the performance of the Group has been strong from both operational and financial perspectives, meeting most established targets and showing good progress on strategic projects. During the year, the Group continued to increase its focus on health and safety, placing paramount importance on measures aimed to improve the safety culture, which led to significant improvements in this area. Further details can be found on **pages 134-135**.

Through an ongoing dialogue with management, the committee maintained a thorough understanding of remuneration arrangements across the Group and, under its amended terms of reference, approved the remuneration of the senior executives operating immediately under the CEO.

In line with its commitment to good corporate governance, the committee will continue to monitor investors’ views, developments in best practices and market trends on executive remuneration. These will be considered when deciding on executive remuneration at EVRAZ, in order to ensure that its Remuneration Policy remains appropriate in the context of business performance and strategy.

Link with business strategy

EVRAZ’ strategic priorities define the selection of KPIs for the CEO.

These strategic priorities are reflected in the Group’s approach to executive remuneration. A large proportion of the CEO’s remuneration is linked to performance through the annual bonus.

The determination of the annual bonus is based on the Group’s key quantitative financial, operational and strategic measures to ensure focus is spread across the key aspects of Group’s performance and strategy. The exact measures and associated weighting are determined on an annual basis according

to the Company’s strategic priorities for the year.

For 2020, the following five indicators, each with an equal weighting of 20%, were considered when determining the CEO’s annual bonus: LTIFR, EBITDA, Free Cash Flow (adjusted), Cash Cost Index and the committee’s assessment of overall performance against strategic objectives.

The KPIs are specific and focus on deliverables to support the Group’s strategy.

How business strategic priorities align to overall reward at EVRAZ

CEO KPIs	Weighting	Sustainable development	EVRAZ Business System	Debt management and stable dividends	Prudent CAPEX	Retention of low- cost position	Development of product portfolio and customer base
LTIFR	20%	X	X				
EBITDA	20%		X	X	X	X	X
Adjusted FCF	20%		X	X	X	X	X
Cash Cost Index	20%		X		X	X	
Strategic Objectives	20%	X	X		X	X	X

POLICY REPORT

Shareholder approval was received at the 2020 AGM for the updated policy (outlined on pages 130-133).	high level of performance and aligns the interests of management with those of shareholders.	does not operate clawback arrangements on directors' remuneration on the basis that such arrangements would not be enforceable under the Russian Labour Code. The committee will keep this under review and should the Russian Labour Code change, it will revisit the inclusion of such provisions in the Group's variable remuneration plans in order to comply with the 2018 UK Corporate Governance Code.
The Remuneration Policy's primary objectives are to attract, retain and reward talented staff and management by offering compensation that is competitive within the industry, motivates management to achieve the Group's business objectives, encourages a	The CEO's incentive arrangements are subject to "malus", under which the committee may adjust bonus payments downwards to reflect the Group's overall performance, including the safety of underlying practices and resulting performance. The committee	

Remuneration Policy

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Executive director				
Base salary	Provides a level of base pay to reflect individual experience and role to attract and retain high calibre talent.	Normally reviewed annually, considering individual and market conditions, including: size and nature of the role; relevant market pay levels; individual experience and pay increases for employees across the Group. For the current CEO, base salary incorporates a director's fee (paid to all directors of the Group for participation in the work of the Board committees and Board meetings – see the section on Non-executive Director Remuneration Policy below). Where a salary is paid in a currency other than US dollars, the committee may make additional payments to ensure that the total annual salary equals the level of annual salary in US dollars.	Generally, the maximum increase per year will be in line with the overall level of increases within the Group. However, there is no overall maximum opportunity as increases may be made above this level at the committee's discretion, to take account of individual circumstances such as increases in scope and responsibility and to reflect the individual's development and performance in the role.	None
Benefits	To provide a market level of benefits, as appropriate for individual circumstances, to recruit and retain executive talent.	Benefits currently include private healthcare. Other benefits (including pension benefits) may be provided if the committee considers it appropriate. The current CEO does not participate in any pension scheme at this time. In the event that an executive director is required by the Group to relocate, or do so following recruitment, benefits may include, but are not limited to, a relocation, housing, travel and education allowance.	The cost of benefits will generally be in line with that for the senior management team. However, the cost of insurance benefits may vary from year to year depending on the individual's circumstances. The overall benefit value will be set at a level the committee considers proportionate and appropriate to reflect individual circumstances, in line with market practices. There is no total maximum opportunity.	None

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Annual bonus	To align executive remuneration to Group strategy by rewarding the achievement of annual financial and strategic business targets.	The Group operates an annual bonus arrangement under which awards are generally delivered in cash. Targets are reviewed annually and linked to corporate performance based on predetermined targets.	Up to 200% of base salary in respect of any financial year of the Group.	The bonus is based on achievement of the Group's key quantitative financial, operational and strategic measures in the year to ensure focus is spread across the key aspects of the Group's performance and strategy. The exact measures and associated weighting will be determined on an annual basis, according to the Group's strategic priorities, however at least 60% will be based on the Group's financial measures. For achievement of threshold performance, 0% of maximum will be paid, rising in a straight line to no more than 50% of the maximum for target performance and 100% of the maximum for outstanding performance. The committee retains discretion to adjust bonus payments to reflect the Group's overall performance.

Element	Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Non-executive directors				
Chairman and non-executive director remuneration	To provide remuneration that is sufficient to attract and retain high calibre non-executive talent.	Director fees are normally paid in the form of cash, but with the flexibility to forgo all or part of such fees (after deduction of applicable income tax and social taxes) to acquire shares in the Company should the non-executive director so wish. Non-executive director fees are reviewed from time to time. Non-executive directors receive an annual fee for Board membership. Additional fees are payable by reference to other Board responsibilities taken on by the non-executive directors (for example, membership and chairmanship of the Board committees). The chairman of the Board receives an all-inclusive annual fee. Costs incurred in the performance of non-executive directors' duties for the Company may be reimbursed or paid for directly by the Company, including any tax due on the costs. This may include travel expenses, professional fees incurred in the furtherance of duties as a director, and the provision of training and development. In addition, the Company contributes an annual amount towards secretarial and administrative expenses of non-executive directors. Non-executive directors may not participate in the Company's share incentive schemes or pension arrangements. Total fees paid to non-executive directors will remain within the limit stated in the Articles of Association.		

Performance measures and targets

Annual bonus measures and targets are selected to ensure an appropriate balance between providing the director with incentives to meet financial objectives for the year and achieving key operational objectives. The Remuneration Committee	reviews them annually to ensure that the measures and weightings are in line with the strategic priorities and needs of the business.	This remuneration approach and philosophy is applied consistently at all levels, up to and including the executive director. This ensures that there is alignment with the business strategy throughout the Group. Remuneration arrangements
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below the Board level reflect the seniority of the role and local market practices, and therefore the components and remuneration levels for different employees may differ in parts from the policy set out above.

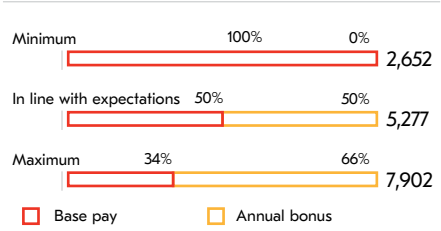
For instance, in addition to a base salary, a performance-related bonus (calculated by reference to KPIs aligned with the Group’s strategy) and benefits, senior managers are also entitled to participate in a long-term incentive programme. This is designed to align the interests of these individuals to the delivery of long-term growth in shareholder value.

The current CEO already holds a substantial shareholding in the Group and therefore does not participate in this plan.

Illustration of the application of the Remuneration Policy

The following chart provides an indication of what could be received by an executive director under the Remuneration Policy.

Application of the remuneration policy, US\$ thousand



Policy on recruitment of executive directors

This part of the Remuneration Policy has been developed to enable the Group to recruit the best possible candidate and one able to contribute to the Group’s performance and able to help it reach its goals.

When hiring a new executive director, remuneration is determined in line with the following Remuneration Policy.

So far as is practicable and appropriate, the Remuneration Committee will seek to structure the pay and benefits of any new executive directors in line with the current Remuneration Policy.

Regarding any pension benefits, these will not exceed the percentage of salary earned by the majority of the workforce (either of the Group or the county in which the executive director works).

Notwithstanding this, the committee recognises that the Remuneration Policy set out above is tailored towards the only current executive director, the CEO, who has a significant shareholding in the Company. Any new executive director is likely to have different circumstances from the current CEO, and thus the committee believes it is important to retain the flexibility to be able to offer other elements, namely market-competitive, share-based incentive programmes, which are linked to the Group’s performance and designed to align the executive director’s interests to the delivery of growth in shareholder value.

The maximum level of variable remuneration which may be granted in respect of recruitment (excluding any buyouts) will not exceed the ongoing policy of more than 200% of base salary, as described in the policy table above. This additional headroom has been capped at a level comparable with the maximum award levels seen in conventional long-term incentive plans used in the wider UK-listed market.

The committee’s intention would be for any share-based incentive awards to be subject to performance conditions. Where the intention is to grant regular long-term incentive awards to a candidate, the committee would seek appropriate shareholder approval for a new share plan in accordance with the Listing Rules.

When setting salaries for new hires, the committee will consider all relevant factors, including the skills and experience of the individual, the market from which they are recruited, and the market rate for the role. For interim positions, a cash supplement may be paid rather than salary (for example, a non-executive director taking on an executive function on a short-term basis).

To facilitate recruitment, the committee may need to compensate an executive director for the loss of remuneration arrangements forfeited on joining the Company. In granting any buyout award, the committee will consider relevant factors, including any performance

conditions attached to the awards forfeited, the form in which they were granted (eg cash or shares) and the timeframe of the awards. The committee will generally seek to structure the buyout on a comparable basis to awards forfeited. The overriding principle is that any buyout award would be at or below the commercial value of remuneration forfeited.

The committee retains the flexibility to alter the performance measures of the annual bonus for the first year of appointment, if it determines that the circumstances of the recruitment merit such alteration.

Where an executive director is appointed from within the organisation, the normal policy is that any legacy arrangements would be honoured in line with the original terms and conditions. Similarly, if an executive director is appointed following an acquisition of, or merger with another company, legacy terms and conditions will be honoured.

On the appointment of a new chairman or non-executive director, their remuneration will typically be in line with the Remuneration Policy as set out above. Any specific cash or share arrangements delivered to the chairman or non-executive directors will not include share options or any other performance-related elements.

Policy on shareholdings of executive directors

The Company’s policy is that executive directors should hold shares in the Company and any new executive director will be required to build and retain a level of shareholding in the Company. The application of this policy will be contained from time to time in the Annual Remuneration Report and is currently set at 200% of salary. This level of shareholding (or the actual level on departure if it is lower) will normally have to be retained for two years following the departure of an executive director from their position. As the current executive director, the CEO, has a holding in excess of 9.66% of the Company and does not participate in share plans, this guideline does not apply to him.

Executive director's service contract and loss of office policy

The CEO has a service contract with a subsidiary of EVRAZ plc. The CEO’s service contract does not provide for any specific notice period and therefore, in the event of termination, the applicable notice period will be as provided for in the Russian Labour Code from time to time (where the termination is at the Company’s initiative, the entitlement to pay in lieu of notice is currently limited to three

months’ base salary). The committee may determine that a termination payment of up to 12 months’ base salary should be paid, taking into consideration the circumstances of departure. Going forward, all new executive directors’ contracts will normally provide for a notice period of no more than 12 months and for any compensation provisions for termination without notice to be capped at 12 months’ base salary and contractual benefits.

There is no automatic entitlement to annual bonus and executive directors would

not normally receive a bonus in respect of the financial year of their cessation. However, where an executive director leaves by reason of death, disability, ill-health, or other reasons that the committee may determine, a bonus may be awarded. Any such bonus would normally be subject to performance and time pro-rating, unless the committee determines otherwise.

Non-executive directors' letters of appointment

Each non-executive director has a letter of appointment setting out the terms and conditions covering their appointment.

They are required to stand for election at the first AGM following their appointment

and, subject to the outcome of the AGM, the appointment is for a further one-year term. Over and above this arrangement, the appointment may be terminated by the director giving three months’ notice or in accordance with the Articles of Association. Letters of appointment do not provide for any payments in the event of loss of office.

All directors are subject to annual reappointment and will stand for re-election on the upcoming AGM on 15 June 2021 except Sir Michael Peat and Karl Gruber.

Key terms of non-executive directors’ appointment letters

Non-executive directors	Date of contract	Notice period
Alexander Abramov	14 October 2011	Three months
Karl Gruber	14 October 2011	Three months
Alexander Izosimov	28 February 2012	Three months
Sir Michael Peat	14 October 2011	Three months
Deborah Gudgeon	31 March 2015	Three months
Eugene Shvidler	14 October 2011	Three months
Eugene Tenenbaum	14 October 2011	Three months
Laurie Argo	8 August 2018	Three months

Copies of the directors’ letters of appointment or, in the case of the CEO, the service contract, are available for inspection by shareholders at the Group’s registered office.

Consideration of conditions elsewhere in the Group

Management prepares the details of all employee pay and conditions,

and the committee considers them on an annual basis.

The committee takes this into account when setting the CEO’s remuneration.

However, it does not consider any direct comparison measures between the executive director and wider employee pay. The Group does not formally consult with employees on executive director remuneration.

Consideration of shareholder views

When determining the Remuneration Policy, the committee considers investor body guidelines and shareholder views.

ANNUAL REMUNERATION REPORT

This section summarises remuneration paid out to directors for the 2020 financial year and details of how the Remuneration Policy will be implemented in the 2021 financial year.

Executive director’s remuneration

In 2020, the CEO, Alexander Frolov, was entitled to a base salary, a

performance-related bonus and provision of benefits. As a member of the Board, he is also entitled to a director’s fee (US\$150,000) and any applicable fees for participation in the work of the Board committees as laid out in the section below on non-executive director remuneration.

However, the committee considers these fees to be incorporated in his base salary. Alexander Frolov’s current shareholding

(9.66% of issued share capital as at 31 December 2020) provides alignment with the delivery of long-term growth in shareholder value. As such, the committee does not consider it necessary for the CEO to participate in any long-term incentive plans or to impose formal shareholding guidelines. However, the committee will continue to review this on an ongoing basis.

Single total figure of remuneration (audited)

Key elements of the CEO’s remuneration package received in relation to 2020 (compared with the prior year)

Alexander V. Frolov	2020 (US\$)	2019 (US\$)
Salary and director fees ¹	2,625,000	2,625,000
Benefits	26,909	32,970
Bonus	3,136,930	0
Total	5,788,839	2,657,970
Total Fixed Remuneration	2,651,909	2,657,970
Total Variable Remuneration	3,136,930	0

Base salary

The committee approved the CEO’s current salary on 1 January 2019 at the level of US\$2,625,000 (which includes, for the avoidance of doubt, the director’s fee, fees paid for committee membership and any salary from subsidiaries of EVRAZ plc). This salary level will remain unchanged for 2021.

agreement and the Board of Directors’ approval.

The bonus is linked to achieving performance conditions based on predetermined targets set by the Board of Directors. The target bonus is 100% of base salary with a maximum potential of 200% of base salary.

Annual bonus for 2020 (audited)

The bonus is linked to the Group’s main quantitative financial, operational and strategic measures during the year to ensure alignment with the key aspects of Group performance and strategy.

For 2020, the following five indicators, each with an equal weighting of 20%, were considered when determining the CEO’s annual bonus: LTIFR, EBITDA,

Free Cash Flow (adjusted), Cash Cost Index and the committee’s assessment of overall performance against strategic objectives.

The committee reviews the resulting bonus payout to ensure that it is appropriate considering the Group’s overall performance, as well as safety record and procedures.

In 2020, EVRAZ outperformed the threshold target for all of its operational and financial KPIs, resulting in an annual bonus payout of 59.75% of the maximum. Despite the negative impact on world economies caused by the COVID-19 pandemic, management has delivered a robust set of financial and operational results and continued to advance core strategic projects according to plan while, most importantly, doing everything it could to protect its people and support local communities during a pandemic.

Details of the targets set for each KPI, the actual achievement in the year, and total payout level for the 2020 bonus

KPIs	Result measurement				
	Threshold	Planned level (% of target)	Outstanding	Actual 2020	Bonus payout (% of max)
LTIFR	1.93	1.61	1.29	1.58	55%
EBITDA	US\$1,913m	US\$2,391m	US\$2,869m	US\$2,212	31%
Adjusted FCF	US\$868	US\$1,085m	US\$1,303m	US\$1,245m	87%
Cash cost index	110%	100%	90%	95%	76%
Discretion	Remuneration Committee assessment of overall performance against strategic objectives				50%
Total					59.75%

Remuneration committee assessment of overall performance

EVRAZ’ Remuneration Policy stipulates that the discretionary portion of the bonus should reflect the CEO’s performance in relation to the Group’s key strategic priorities, as well as his efforts to ensure its long-term success. During the year, the business continued to deliver in relation to key strategic priorities and create long-term returns for shareholders.

The committee determined that in 2020 the Group maintained stable production and showed good progress on strategic projects despite the global outbreak of COVID-19. The Group’s primary focus was on ensuring safe working conditions for employees, safeguarding local communities and preventing the spread of COVID-19. In recognition of this, the CEO received 100% of Discretion KPI. The key reasons for this are:

- Relatively limited impact of COVID-19 on the Groups’ business due to proactive safety measures undertaken to protect

- employees and ensure operational continuity.
- Completion of late-stage investment projects on schedule.
- Progress made on all key strategic priorities including environmental agenda, despite global uncertainty caused by the COVID-19 pandemic.
- Net debt of US\$3,356 million, bringing the net debt/EBITDA ratio to 1.5, in line with the medium-term target that EVRAZ has set to maintain net debt below US\$4 billion.
- The efficiency improvement programme delivered savings of US\$192 million from a cost-cutting initiatives.
- The customer focus programme generated an EBITDA effect of US\$234 million.
- A strong start of digital transformation projects which generated an efficiency improvement effect of US\$17 million.

Annual bonus for 2021

For 2021, the bonus framework will be in line with 2020. The Board considers forward-looking targets to be commercially sensitive; however, they will generally be disclosed

in the subsequent year. In line with previous years, a malus arrangement will apply under which bonus payouts may be adjusted downwards to reflect the Group’s overall performance including underlying safety practices and resulting performance.

Non-executive directors’ remuneration

Non-executive directors’ fixed remuneration payable in respect of 2020 and 2019 is set out in the table below.

A non-executive director’s remuneration consists of an annual fee of US\$150,000 and a fee for committee membership (US\$24,000) or chairmanship (US\$100,000 for chairmanship of the Audit Committee and US\$50,000 for other committees). The fee for employee engagement responsibilities is set at US\$24,000.

Single total figure of remuneration (audited)

Non-executive director	2020 (US\$ thousand)			2019 (US\$ thousand)		
	Total fees ¹	Admin ²	Total	Total fees ¹	Admin ²	Total
Alexander G. Abramov	750	30	780	750	30	780
Alexander Izosimov	272	30	302	248	30	278
Eugene Shvidler	174	30	204	174	30	204
Eugene Tenenbaum	150	30	180	150	30	180
Karl Gruber	224	30	254	224	30	254
Sir Michael Peat	224	30	254	224	30	254
Deborah Gudgeon	274	30	304	274	30	304
Laurie Argo	222	30	252	174	30	204

^{1.} The salary is paid in roubles and the amounts paid in the year are reconciled at the year-end so as to equal US\$2,625,000.

^{2.} Total fees include annual fees and fees for committee membership or chairmanship (pro rata working days). The Group contributes an annual amount of US\$30,000 towards secretarial and administrative expenses of non-executive directors. In addition to the amounts disclosed above, the Group reimburses directors’ travel and accommodation expenses incurred in the discharge of their duties.

For reference, the fees payable for the chairmanship of a committee include the membership fee, and any director elected as chairman of more than one committee is generally entitled to receive fees in respect of one chairmanship only. The fee for the chairman of the Board amounts to US\$750,000 from 1 March 2012 (this fee includes, for the avoidance of doubt, director's fees and fees paid for committee membership).

Fees will remain unchanged for 2021.

Aggregate directors' remuneration

The aggregate amount of directors' remuneration payable in respect of qualifying services for the year ended 31 December 2020 was US\$8,319 thousand (2019: US\$5,116 thousand).

Share ownership by the Board of Directors (audited)

There were no formal minimum shareholding requirements in place, reflecting the CEO's

current shareholding in EVRAZ. However, the proposed policy includes these in relation to any future appointments.

The directors' interests in EVRAZ shares as of 31 December 2020 were as follows.

There have been no changes in the directors' interests from 31 December 2020 through 24 February 2021.

Directors' interest in EVRAZ shares as of 31 December 2020

Directors	Number of shares	Total holding, ordinary shares, %
Alexander Abramov	281,870,003	19.35
Alexander Frolov	140,723,705	9.66
Eugene Shvidler	40,488,242	2.78
Alexander Izosimov	80,000	0.01

The CEO holds shares to the value of 345 times his salary as at 31 December 2020.

The shares held by Alexander Izosimov were acquired in 2012 when he was appointed as an independent non-executive director.

All shares held by directors are held outright with no performance or other conditions attached to them, other than those applicable to all shares of the same class.

Other directors do not currently hold EVRAZ shares.

Policy on external appointments

The committee believes that the Group can benefit from executive directors holding approved non-executive directorships in other companies, offering executive directors the opportunity to broaden their experience and knowledge. EVRAZ' policy is to allow executive directors to retain fees paid from any such appointment. The CEO does not currently hold a non-executive directorship of another company.

Engagement with the workforce

EVRAZ is committed to regularly engaging with its workforce and realises the value of listening to and acting on employee views across the organisation. These insights are vital to attracting and retaining employees, which is key to delivering

and executing the Group's vision and strategy. It also allows for informative decisions to be made throughout the business. Considering the views of the wider workforce has been in place at the Group for many years. Employees participate in an employee engagement survey aimed at gathering wider workforce views on various topics.

The survey has historically been successful in driving numerous employee-focused initiatives and helps to set key priorities for the forthcoming year, aimed at improving the engagement of all employees.

The Board reviews the engagement data and is therefore aware of any trends, comments or concerns in relation to executive pay. The Board also receives a quarterly summary report of complaints made on the EVRAZ employee telephone hotline.

In 2020, EVRAZ has introduced additional tools aimed at engaging with employees during the pandemic. Virtual meetings with senior management were regularly held, allowing employees to participate and ask questions. The 24/7 corporate hotlines were opened for employees if they have questions or encounter problems.

In 2020, two non-executive directors, appointed in 2018 to be involved in town-hall meetings with employees, participated in virtual meetings. Alexander Izosimov took part in an online town-hall meeting with employees of EVRAZ ZSMK.

During this meeting Alexander learned about employees' priorities and concerns, noting the openness and transparency of communications. Laurie Argo participated in Evraz North America Executive Leadership Team virtual meeting. During this meeting the executive team shared their regular business update, Laurie was engaged in the conversation and shared her insights. This information was shared with the Committee and discussed.

The committee also considers executive remuneration in the context of the wider employee population and is kept regularly updated on pay and conditions across the Group. The proportion of variable pay increases with progression through management levels with the highest proportion of variable pay at executive director level, as defined by the Remuneration Policy. Variable pay cascades down through the next tiers of management with appropriate reductions in opportunity levels based on seniority. In addition, the Group operates pension arrangements in some of its businesses around the world, where this is relevant to the local conditions. The key element of remuneration for those below senior management grades is base salary and the Group's policy is to ensure that base salaries are fair and competitive in the local markets. General pay increases take into account local salary norms, inflation and business conditions.

Gender pay gap and CEO pay ratio

EVRAZ had less than 10 UK employees during the year and does not therefore have any gender pay or CEO pay ratio information to report under the Regulations.

US\$ million	2020	2019
EBITDA	2,212	2,601
Share buybacks	0	0
Dividends	872	1,086
Total employee pay	1,331	1,464

For more information on the definition of EBITDA, please read [page 253](#). →

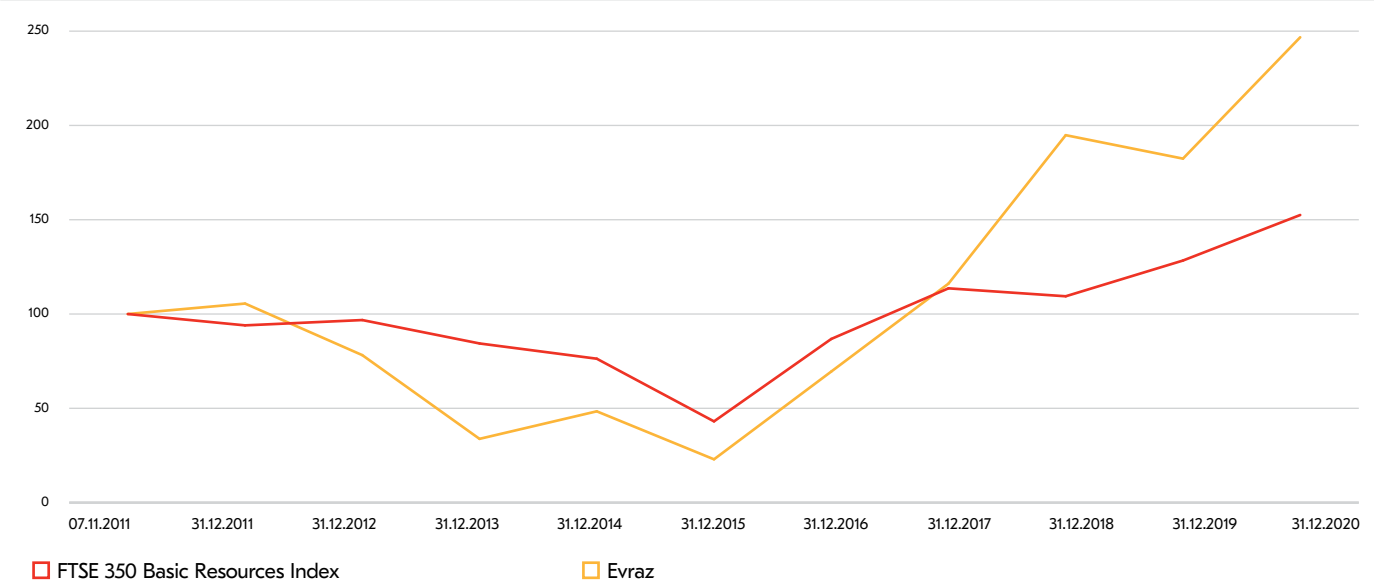
Performance graph

The following graph shows the Group's performance as measured by total shareholder return compared with the performance of the FTSE 350 Basic Resources Index since EVRAZ

Total Shareholder Return Performance, %

Year ends	FTSE 350 Basic Resources Index	Evraz
07.11.2011	100.00	100.00
31.12.2011	93.98	105.55
31.12.2012	96.80	78.20
31.12.2013	84.39	33.80
31.12.2014	76.30	48.40
31.12.2015	43.07	22.95
31.12.2016	86.77	69.49
31.12.2017	113.62	116.12
31.12.2018	109.41	194.84
31.12.2019	128.36	182.40
31.12.2020	152.50	246.75

Total Shareholder Return Performance, %



CEO’s total remuneration paid in 2013–2020

(US\$)	CEO single figure of total remuneration	Annual bonus payout (as a % of maximum opportunity)
2020	5,788,839	59.75%
2019	2,657,970	0%
2018	5,393,884	57.21%
2017	5,516,553	59.82%
2016	4,560,054	40.78%
2015	3,186,585	13.33%
2014	5,808,752	77.00%
2013	4,894,286	50.00%

Percentage change in remuneration

The following table sets out the percentage change in the elements of remuneration for the directors of Evraz plc, compared with average figures for Russia-based administrative personnel.

This group of employees has been selected as an appropriate comparator, as they are based in the same geographic market as the CEO, and so are subject to a similar external environment and pressures.

The population of employees the calculation has been performed for includes

administrative personnel in the Head Office and the Ural and Siberia management companies. This provides a representative calculation across the Russian businesses.

Percentage change in the elements of remuneration for the directors compared with average figures for Russia-based administrative personnel

Role	Salary ¹	Benefits	Annual bonus
Russia-based administrative personnel	3%	40%	2%
Alexander Frolov (CEO)	0%	(9%)	100%
Alexander Abramov (NED)	0%	n/a	n/a
Alexander Izosimov (NED)	9%	n/a	n/a
Eugene Shvidler (NED)	0%	n/a	n/a
Eugene Tenenbaum (NED)	0%	n/a	n/a
Karl Gruber (NED)	0%	n/a	n/a
Sir Michael Peat (NED)	0%	n/a	n/a
Deborah Gudgeon (NED)	0%	n/a	n/a
Laurie Argo (NED)	24%	n/a	n/a

Committee composition

This section details the Remuneration Committee’s composition and activities undertaken over the past year.

Committee members

The committee’s composition remains the same as in 2019, its current members are:

- Alexander Izosimov.
- Deborah Gudgeon.
- Sir Michael Peat.
- Laurie Argo.

All members of the Committee are independent non-Executive Directors. This is fundamental to ensuring Executive Directors and senior executives remuneration is set by people who are independent and have no personal financial interest, other than as shareholders, in the matters discussed. There are no potential conflicts of interest arising from cross-directorships and there is no day-to-day involvement in running the business. No-one is allowed to participate in any matter directly concerning the details of their own remuneration or conditions of service.

The committee may invite other individuals to attend all or part of any committee meeting, as and when appropriate and necessary, in particular the CEO, the head of human resources and external advisers.

Role

The Remuneration Committee is a formal committee of the Board and can operate with a quorum of two committee members. It is operated according to its Terms of Reference, which were reviewed and updated in the year to reflect changes made to the UK Corporate Governance Code. A copy can be found on the Group’s website.

The committee’s main responsibilities are to:

- Set and implement the Remuneration Policy covering the chairman of the Board, the CEO, the company secretary and other senior executives.
- Take into account all factors that it deems necessary to determine, such as framework or policy, including all relevant legal and regulatory requirements, the provisions and recommendations of the 2018 UK Corporate Governance Code and associated guidance.
- Review and consider remuneration trends across the Group and the alignment of incentives and rewards with culture when setting the Remuneration Policy.
- Review regularly the Remuneration Policy’s appropriateness and relevance.
- Determine the total individual remuneration package of the chairman of the Board, the company secretary and other senior executives, including pension rights, bonuses, benefits in kind, incentive payments and share options,

or other share-based remuneration within the terms of the agreed policy.

- Approve awards for participants where existing share incentive plans are in place.
- Review and approve any compensation payable to executive directors and other senior executives in connection with any dismissal, loss of office or termination (whether for misconduct or otherwise) to ensure that such compensation is determined in accordance with the relevant contractual terms and the Remuneration Policy, and that such compensation is otherwise fair and not excessive for the Group
- Oversee any major changes in the structure of employee benefits throughout the Group and report on what engagement has taken place with the workforce on executive pay.

During 2020, the committee met four times. The main purpose of the meetings was to consider and make recommendations to the Board in relation to the remuneration packages of the executive director and key senior managers; to approve the annual bonus for the 2019 results; to approve the 2020 long-term incentive plan (LTIP) awards for key senior management and to be updated on pay across the workforce.

Advisers

The committee has appointed Korn Ferry (UK) Limited (Korn Ferry) to provide

independent remuneration consultancy services to the Group. Korn Ferry is a member of the Remuneration Consultants’ Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The code of conduct can be found at www.remunerationconsultantsgroup.com.

During the year, Korn Ferry principally advised the committee on developments in the regulatory environment and market practice, and on the development of the Group’s pay arrangements. The total fee for advice provided to the committee during the year was £20,824.

The committee is satisfied that the advice it has received has been objective and independent.

Shareholder considerations

EVRAZ remains committed to ongoing shareholder dialogue and takes an active interest in feedback received from its shareholders and from voting outcomes.

Where there are substantial votes against resolutions in relation to directors’ remuneration, the Group shall seek to understand the reasons for any such vote and will detail any actions in response to these.

Actual voting results from the AGM, which was held, in respect of the previous remuneration report and Remuneration Policy

Number of votes	For	Against	Withheld	Total votes as % of issued share capital
To approve the Directors Remuneration Policy as set out on pages 131-135 of the 2019 Annual Report and Accounts	1,189,736,031 (95.85%) ¹	51,449,970 (4.15%)	3,329,067	85.20%
To approve the Annual Remuneration Report set out on pages 130-139 of the 2019 Annual Report and Accounts	1,227,370,864 (98.62%)	17,138,237 (1.38%)	5,966	85.42%

¹. Total fixed remuneration for NEDs.

¹. Percentage of votes cast.

Signed on behalf of the Board of Directors,

Alexander Izosimov
Chairman
of the Remuneration
Committee

24 February 2021

DIRECTORS' REPORT

INTRODUCTION

In accordance with section 415 of the Companies Act 2006, the Directors of EVRAZ plc present their report to shareholders for the financial year ended 31 December 2020, which they are required to produce by applicable UK company law. The Directors' Report comprises the Directors' Report section of this report, together with the sections of the annual report incorporated by reference. As permitted by legislation, some of the matters normally included in the Directors' Report have instead been included in other sections of the annual report, as indicated below.

The Company was incorporated under the name EVRAZ plc as a public company limited by shares on 23 September 2011 under registered number 7784342. EVRAZ plc listed on the London Stock Exchange in November 2011 and is a member of the FTSE 100 Index.

Dividends	The underlying cash flow generation and continuing success with deleveraging have allowed the Company to continue to pay dividends in line with its dividend policy. Please read page 24 for details. The Company paid an interim dividend of US\$0.40 per ordinary share, totalling US\$581 million, on 27 March 2020 to shareholders on the register as of 6 March 2020. The Company paid an interim dividend of US\$0.20 per ordinary share, totalling US\$291 million, on 2 October 2020 to shareholders on the register as of 21 August 2020. The Board of Directors have declared an interim dividend of US\$0.30 per share, totalling US\$437 million, to be paid on 7 April 2021 to shareholders on the register as of 12 March 2021.
Share capital	Details of the Company's share capital are set out in Note 20 to the Consolidated Financial Statements, including details on the movements in the Company's issued share capital during the year. As of 31 December 2020, the Company's issued share capital consisted of 1,506,527,294 ordinary shares, of which 49,654,691 shares are held in Treasury. Therefore, the total number of voting rights in the Company is 1,456,872,603. The Company's issued ordinary share capital ranks paripassu in all respects and carries the right to receive all dividends and distributions declared, made or paid on or in respect of the ordinary shares. There are currently no redeemable non-voting preference shares or subscriber shares of the Company in issue.
Authority to purchase own shares and transfer of treasury shares to Company's Employee Share Trust	The authority given at the 2020 AGM for the Company to make market purchases of 145,687,260 of its shares, representing 10% of the issued share capital (excluding shares held in treasury), expires on the earlier of the 2021 AGM or 30 June 2021. EVRAZ will ask shareholders to give a similar authority at the 2021 AGM. During 2020, no shares were purchased under this authority. Details of the Company's authority to purchase its own shares, which will be sought at the Company's forthcoming Annual General Meeting (AGM), will be set out in the notice of meeting for that AGM. On 29 April 2020, the Company transferred 4,964,830 ordinary shares out of treasury to the Company's Employee Share Trust.
Directors	Biographies of the directors who served on the Board during the year are provided in the Governance section on pages 102-103 .
Directors' appointment and re-election	The Board has the power at any time to elect any person to be a director, but the number of directors must not exceed the maximum number fixed by the Company's Articles of Association. Any person so appointed by the directors will retire at the next AGM and then be eligible for election. In accordance with the UK Corporate Governance Code, the directors are subject to annual re-election by shareholders. For additional information about directors' appointment and resignation, see the Remuneration Report on page 132 . Sir Michael Peat and Karl Gruber will not be seeking re-election as directors at the AGM, having completed terms of nine years. All of the other directors intend to stand for re-election at the 2021 AGM to be held later this year.
Directors' interests	Information on share ownership by directors can be found in this Report and in the Remuneration Report on page 136 .
Directors' indemnities and director and officer liability insurance	As at the date of this report, the Company has granted qualifying third-party indemnities to each of its directors against any liability that attaches to them in defending proceedings brought against them, to the extent permitted by the Companies Act. In addition, directors and officers of the Company and its subsidiaries have been and continue to be covered by director and officer liability insurance.
Powers of directors	Subject to the Company's Articles of Association, UK legislation and to any directions given by special resolution, the business of the Company is managed by the Board, which may exercise all the powers of the Company. The Articles of Association contain specific provisions concerning the Company's power to borrow money and provide the power to make purchases of any of its own shares. The directors have the authority to allot shares or grant rights to subscribe for or to convert any security into shares in the Company. Further details of the proposed authorities are set out in the Notice of the AGM.
Major interests in shares	Notifiable major share interests of which the Company has been made aware are set out in this Directors' Report.

Research and development	EVRAZ is constantly engaged in process and product innovation. The research and development centres located at the Company's production sites improve and develop high-quality steel products to better meet customers' needs and to ensure that EVRAZ remains competitive in the global and local markets. For examples of the Company's efforts in research and development in different operations, please refer to the Business R&D section on pages 84-87 .
Sustainable development	The Corporate Social Responsibility section of this report focuses on the health and safety, environmental and employment performance of the Company's operations, and outlines the Company's core values and commitment to the principles of sustainable development and development of community relations programmes. Details of the Company's policies and performance are provided in the Corporate Social Responsibility section on pages 56-83 .
Payments to governments	EVRAZ published its 2019 report on payments to governments in June 2020. The report provides citizens, authorities and independent users with information on payments made to governments where the Company conducts its extractive activities. The report is prepared in accordance with the requirements of the Disclosure Guidance and Transparency Rules. Instrument 2014 "Report on payments to governments", issued by the UK Financial Conduct Authority. The report is available on the Company's website at www.evraz.com .
Political donations	No political contributions were made in 2020.
Greenhouse gas emissions	In 2020, in accordance with the requirements of the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013, and Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, EVRAZ undertook to assess full emissions of greenhouse gases (GHGs) from facilities under its control. Details can be found in the CSR section on page 65
Employees	Information regarding the Company's employees can be found in the Our People section on pages 68-73 .
Overseas branches	EVRAZ does not have any branches. A full list of the Group's controlled subsidiaries is disclosed in Note 34 of the Consolidated Financial Statements.
Financial risk management and financial instruments	Information regarding the financial risk management and internal control processes and policies, as well as details of hedging policy and exposure to the risks associated with financial instruments, can be found in Note 28 to the Consolidated Financial Statements, the Corporate Governance Report and Risk Management and Internal Control section on pages 112-115 and the Financial Review section on pages 32-43 .
Going concern	The financial position and performance of the Group and its cash flows are set out in the Financial Review section of the report on pages 32-43 . Based on the currently available facts and circumstances, the directors and management have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. More details are provided in Note 2 to the Consolidated Financial Statements on page 166 .
Auditor	The Audit Committee conducted a tender for the external audit of the Group in July 2016. Ernst & Young LLP was selected to undertake the audits for the financial years ended December 2017 and 2018 (subject to shareholder approval at the respective AGM). The Board has agreed that no re-tender will take place until the conclusion of the 2020 financial year. A decision on whether to re-tender will be taken in due course by the Audit Committee and presented to the Board for consideration. Ernst & Young LLP has indicated its willingness to continue in office and a resolution seeking to re-appoint it will be proposed at the forthcoming AGM.
Future developments	Information on the Group and its subsidiaries' future developments is provided in the Strategic Report on pages 4-99 .
Events since the reporting date	The major events after 31 December 2020 are disclosed in Note 33 to the Consolidated Financial Statements on page 229 .
Annual General Meeting (AGM)	The 2021 AGM will be held later this year in London. At the AGM, shareholders will have the opportunity to put questions to the Board, including the chairmen of the Board committees. Full details of the AGM, including explanatory notes, are contained in the Notice of the AGM, which will be distributed at least 20 working days before the meeting. The Notice sets out the resolutions to be proposed at the AGM and an explanation of each resolution. All documents relating to the AGM will be available on the Company's website at www.evraz.com .
Electronic communications	A copy of the 2020 annual report, the Notice of the AGM and other corporate publications, reports and announcements will be available on the Company's website at the following link: https://www.evraz.com/en/investors/ Shareholders may elect to receive notification by email of the availability of the annual report on the Company's website instead of receiving paper copies.
Corporate governance statement	The Disclosure Guidance and Transparency Rules (DTR7.2) require certain information to be included in a corporate governance statement set out in a company's Directors' Report. In common with many companies, EVRAZ has an existing practice of issuing, within its annual report, a Corporate Governance Report that is separate from its Directors' Report. The information that fulfils the requirement of DTR7.2 is located in the EVRAZ Corporate Governance Report (and is incorporated into this Directors' Report by reference), with the exception of the information referred to in DTR7.2.6, which is located in this Directors' Report.
Section 172 Statement	The Company's Section 172 Statement can be found in the Strategic Report on page 97 .
Employee engagement	Details of how the Company engages with its workforce can be found in the Strategic Report on page 72 .
Stakeholder engagement on key decisions	Details of the key decisions and discussions of the Board during the year and the main stakeholder inputs into those decisions are set out in the Corporate Governance Report on page 107 .

MAJOR SHAREHOLDINGS

The Company’s issued share capital as of 31 December 2020 was 1,506,527,294 ordinary shares, of which 49,654,691 shares are held in Treasury. Therefore, the total number of voting rights in the Company is 1,456,872,603.

As of 31 December 2020, the following significant holdings of voting rights in the Company’s share capital were disclosed to the Company under Disclosure and Transparency Rule 5.

	Number of ordinary shares	% of voting rights
Greenleas International Holdings Ltd. ¹	417,767,314	28.68
Abiglaze Ltd ²	281,870,003	19.35
Crosland Global Limited ³	140,723,705	9.66
Kadre Enterprises Ltd ⁴	83,751,827	5.75

The Company is aware of the following individuals who each have a beneficial interest in three percent or more of EVRAZ plc’s issued share capital (in each case, except for Gennady Kozovoy, held indirectly) as of 31 December 2020:

	Number of ordinary shares	% of voting rights
Roman Abramovich	417,767,314	28.68
Alexander Abramov	281,870,003	19.35
Alexander Frolov	140,723,705	9.66
Gennady Kozovoy	83,751,827	5.75

There have been no changes in the Company’s issued share capital and the Company has not received any notifications under Disclosure Guidance and Transparency Rule 5, from 31 December 2020 through 24 February 2021.

LISTING RULE DISCLOSURES

For the purposes of LR 9.8.4CR, the information required to be disclosed by LR 9.8.4R can be found in the following locations:

Interest capitalised	Note 9 to the Consolidated Financial Statements
Publication of unaudited financial information	Not applicable
Detail of long-term incentive schemes	Note 21 to the Consolidated Financial Statements, Remuneration Report
Waiver of emoluments by a director	None
Waiver of future emoluments by a director	None
Non pre-emptive issues of equity for cash	None
Non pre-emptive issues of equity for cash in relation to major subsidiary undertakings	None
Parent participation in a placing by a listed subsidiary	None
Contract of significance in which a director is interested	None
Contracts of significance with a controlling shareholder	Relationship Agreements section below
Provision of services by a controlling shareholder	None
Shareholder waiver of dividends	None
Shareholder waiver of future dividends	None
Agreements with controlling shareholder	Relationship Agreements section below

¹. The Company understands that Roman Abramovich has an indirect economic interest in the 417,767,314 shares held by Greenleas International Holdings Ltd.
². The Company understands that Alexander Abramov has an indirect economic interest in the 281,870,003 shares held by Abiglaze Ltd.
³. The Company understands that Alexander Frolov has an indirect economic interest in the 140,723,705 shares held by Crosland Global Limited.
⁴. Includes shares held by Gennady Kozovoy, Cadre’s shareholder, both indirectly through Cadre and directly. The number of shares is as per TR-1 Form: Notification of major interest in shares dated 6 February 2013.

SIGNIFICANT CONTRACTUAL ARRANGEMENTS

Relationship agreements

The Company has entered into relationship agreements (the “Relationship Agreements”) with each of Greenleas International Holdings Ltd., Abiglaze Ltd and Crosland Global Limited (the “Controlling Shareholders”) that regulate the ongoing relationship between the Controlling Shareholders and the Company. This ensures that the Company is in compliance with the provisions of the Listing Rules and capable of carrying on its business independently of the Controlling Shareholders, and ensures that any transactions and relationships between the Company and the Controlling Shareholders are at arm’s length and on normal commercial terms. These Relationship Agreements were last amended and restated (or, in the case of Abiglaze Ltd, first entered into) in January 2019 reflecting changes in the Company’s shareholder structure that took place in December 2018.

The Relationship Agreements terminate if the Controlling Shareholders cease to own or control (directly or indirectly) in aggregate at least 30% of the issued ordinary shares in the Company (or at least 30% of the aggregate voting rights in the Company).

Under the Relationship Agreements, the Controlling Shareholders and the Company agree that:

- The Controlling Shareholders have the right to appoint the maximum number of non-executive directors that may be appointed while ensuring that the composition of the Board remains compliant with the UK Corporate Governance Code for so long as the Controlling Shareholders hold in aggregate an interest of 30% or more of the Company (or hold 30% or more of the aggregate voting rights in the Company) with each appointee being a “Shareholder Director”.
- The Controlling Shareholders and their associates shall not take any action that would have the effect of preventing the Company from complying with its obligations under the Companies Act, the Listing Rules and the Disclosure Guidance and Transparency Rules.
- Neither the Controlling Shareholders nor any of their associates will propose or procure the proposal of any shareholder resolution that is intended or appears to be intended to circumvent the proper application of the Listing Rules.
- Transactions, relationships and agreements between the Company and/or

its subsidiaries (on the one hand) and the Controlling Shareholders shall be entered into and conducted on arm’s length terms and on a normal commercial basis, unless otherwise agreed by a committee comprising the non-executive directors of the Company whom the Board considers to be independent in accordance with the UK Corporate Governance Code (the “Independent Committee”).

- The Controlling Shareholders shall, insofar as it is legally able to do so, exercise their powers, and shall procure that each member of the respective Controlling Shareholder group does the same, so that the Company is managed in accordance with the principles of good governance set out in the UK Corporate Governance Code, save as agreed in writing by a majority of the Independent Committee.
- The Controlling Shareholders will, and will procure (as far as is reasonably possible) that each member of the respective Controlling Shareholder group will, treat as confidential all information (subject to certain exceptions) acquired relating to the Company and its subsidiaries.
- The provision of, access to and use of information pursuant to the Relationship Agreements is governed by applicable laws relating to insider information, including, without limitation, the Disclosure Guidance and Transparency Rules.
- The Controlling Shareholders shall not, and shall procure, insofar as they are legally able to do so, that each member of the respective Controlling Shareholder group shall not, take any action that precludes or inhibits the Company and/or any of its subsidiaries from carrying on its business independently of the Controlling Shareholders or any member of the respective Controlling Shareholder group.
- The quorum for any Board meeting of the Company shall be three, of which at least one must be a Shareholder Director appointed by Greenleas International Holdings Ltd., at least one must be a Shareholder Director appointed by Abiglaze Ltd and/or Crosland Global Limited and at least one must be a non-executive director whom the Board considers to be independent in accordance with the UK Corporate Governance Code.
- The Controlling Shareholders shall not, and shall procure, insofar as they are legally able to do so, that each member of the respective Controlling Shareholder group shall not, exercise any of their voting

or other rights and powers to procure any amendment to the Memorandum and Articles that would be inconsistent with, undermine or breach any of the provisions of the Relationship Agreements, and will abstain from voting on, and will procure that the Controlling Shareholder Directors abstain from voting on, any resolution to approve a transaction with a related party (as defined in the Listing Rules) involving the Controlling Shareholders or any member of the respective Controlling Shareholder group.

- In any matter that, in the opinion of an independent director, gives rise to a potential conflict of interest between the Company and/or any of its subsidiaries (on the one hand) and the Shareholder Directors, the Controlling Shareholders or any member of the respective Controlling Shareholder group (on the other), such matter must be approved at a duly convened meeting of the Independent Committee or in writing by a majority of the Independent Committee.
- For so long as Greenleas International Holdings Ltd. (and its affiliates) holds in aggregate an interest of 25% or more in the Company, Greenleas International Holdings Ltd. undertakes that it will not become, and will use its reasonable endeavours to procure that no other member of its group becomes, involved in any competing business (subject to certain exceptions) in Russia, Ukraine or the CIS without giving the Company the opportunity to participate in the relevant competing business.
- For so long as Abiglaze Ltd and Crosland Global Limited (and their respective affiliates) hold in aggregate an interest of 25% or more in the Company, Abiglaze Ltd and Crosland Global Ltd undertake that they will not become, and will use their reasonable endeavours to procure that no other member of the respective Controlling Shareholder group becomes, involved in any competing business (subject to certain exceptions) in Russia, Ukraine or the CIS without giving the Company the opportunity to participate in the relevant competing business.

The Board is satisfied that the Company is capable of carrying on its business independently of the Controlling Shareholders and that the Board makes its decisions in a manner consistent with its duties to the Company and stakeholders of EVRAZ plc.

Other agreements

The change of control provisions contained in several loan agreements with a total principal

amount of US\$1,018 million outstanding as of 31 December 2020 specify that if a change of control occurs, each lender under these agreements has a right to cancel

their commitments and request repayment of their portion of the respective loans ahead of schedule.

ARTICLES OF ASSOCIATION

The Company's Articles of Association were adopted with effect from June 2012 and contain, among others, provisions on the rights and obligations attaching

to the Company's shares, including the redeemable non-voting preference shares and the subscriber shares.

The Articles of Association may only be amended by special resolution at a general meeting of the shareholders.

SHARE RIGHTS

Without prejudice to any rights attached to any existing shares, the Company may issue shares with rights or restrictions as determined by either the Company

by ordinary resolution or, if the Company passes a resolution, the directors. The Company may also issue shares that are, or are liable to be, redeemed

at the option of the Company or the holder and the directors may determine the terms, conditions and manner of redemption of any such shares.

VOTING RIGHTS

There are no other restrictions on voting rights or transfers of shares in the Articles other than those described in these paragraphs.

of shares on a poll, every member present in person or by proxy has one vote for every share that he or she holds.

Details of deadlines for exercising voting rights and proxy appointment will be set out in the Notice of the 2020 AGM.

A proxy is not entitled to vote where the member appointing the proxy would not have been entitled to vote on the resolution had he or she been present in person. Unless the directors decide otherwise, no member shall be

entitled to vote either personally or by proxy or to exercise any other right in relation to general meetings if any sum due from him or her to the Company in respect of that share remains unpaid.

The trustee of the Company's Employee Share Trust is entitled, under the terms of the trust deed, to vote as it sees fit in respect of the shares held in trust.

TRANSFER OF SHARES

The Company's Articles provide that transfers of certificated shares must be effected in writing, and duly signed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee.

The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect of those shares. Transfers of uncertificated shares may

be effected by means of CREST unless the CREST Regulations provide otherwise.

The directors may refuse to register an allotment or transfer of shares in favour of more than four persons jointly.

AUDIT INFORMATION

Each of the Directors who were members of the Board at the date of the approval of this report confirms that:

So far as he or she is aware, there is no relevant audit information of which the Company's auditors are unaware.

He or she has taken all the reasonable steps that he or she ought to have taken

as a Director to make him or herself aware of any relevant audit information and to establish that the Company's auditors are aware of the information.

The confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The EVRAZ Directors' Report has been prepared in accordance with applicable UK company law and was approved by the Board on 24 February 2021.

By the order of the Board



Alexander Frolov
Chief Executive Officer
EVRAZ plc

DIRECTORS' RESPONSIBILITY STATEMENT

Responsibility Statement under the Disclosure Guidance and Transparency Rules

Each of the directors whose names and functions are listed on **pages 102-103** confirm that to the best of their knowledge:

- The consolidated financial statements of EVRAZ plc, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole (the "Group").
- The Annual report and Accounts, including the Strategic Report, include a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that they face.

Statement Under the UK Corporate Governance Code

The Board considers that the report and accounts taken as a whole, which incorporates the Strategic Report and Directors' Report, is fair, balanced and understandable, and that it provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Statement of Directors' Responsibilities in Relation to the annual report and Financial Statements

The directors are responsible for preparing the annual report and the Group and parent company financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under the Companies Act 2006, the directors must not approve the Group and parent company financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group and parent company for that period.

Under that law the directors have elected to prepare the group and parent company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group and the company for that period.

Under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, group financial statements are required to be prepared in accordance with international financial reporting standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In preparing each of the Group and parent company financial statements, the directors are required to:

- Present fairly the financial position, financial performance and cash flows of the Group and parent company.
- Select suitable accounting policies in accordance with IAS8 (Accounting Policies, Changes in Accounting Estimates and Errors) and then apply them consistently.
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Make judgements and estimates that are reasonable.
- Provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and parent company's financial position and financial performance.
- In respect of the Group financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs adopted

pursuant to Regulation(EC) No 1606/2002 as it applies in the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;

- In respect of the parent company financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006, have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is appropriate to presume that the company and/or the group will not continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for preparing the Strategic Report, the Directors' Report, the Directors' Remuneration Report and the Corporate Governance Report in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure Guidance and Transparency Rules of the United Kingdom Listing Authority. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By the order of the Board



Alexander Frolov
Chief Executive Officer
EVRAZ plc
24 February 2021

FINANCIAL STATEMENTS

Solid results for a Better Future

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EVRAZ PLC

OUR OPINION ON THE FINANCIAL STATEMENTS

In our opinion:

- EVRAZ plc's Group financial statements and Parent Company financial statements (the "Financial Statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's and the Parent Company's profit for the year then ended;
 - The financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards the Consolidated Financial Statements,
- International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union; and

 - The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.
- We have audited the financial statements of EVRAZ plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise:

Group	Parent Company
the Consolidated Statement of Operations,	the Separate Statement of Comprehensive Income;
the Consolidated Statement of Comprehensive Income;	
the Consolidated Statement of Financial Position;	the Separate Statement of Financial Position;
the Consolidated Statement of Cash Flows;	the Separate Statement of Cash Flows;
the Consolidated Statement of Changes in Equity; and	the Separate Statement of Changes in Equity; and
the related notes 1 to 34.	the related notes 1 to 11.

The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity

with the requirements of the Companies Act 2006 and, as regards the Consolidated Financial Statements, International Financial Reporting Standards adopted

pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance

with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors’ assessment of the Group and Parent Company’s ability to continue to adopt the going concern basis of accounting included the assessment of the consistency of the cash flow forecasts, the key assumptions within the scenarios modelled and the available sources of liquidity with the findings from other areas of the audit, testing of the historical accuracy of management’s forecasting and use of our valuation specialists to challenge the assumptions with reference to historical data and, where applicable, external benchmarks.

To reflect the economic downturn following the global pandemic, management has modelled two pessimistic scenarios which we believe give due consideration to potential operating scenarios that would place significant stress on the Group. In addition, following the board decision to consider a demerger of the Group’s coal segment, management ran an additional scenario to model the potential effect of the demerger. We analysed both the impact of additional sensitivities and the availability of mitigating future

actions on the going concern assessment. As in their pessimistic case scenario management sensitised commodity prices (the main non-controllable estimate of the going concern assessment) based on the lower end of the range derived from market analysts’ projections, we have also assessed pessimistic case commodity prices against external data.

We considered, based on our own independent analysis, what reverse stress testing scenarios, including the possible coal assets demerger, could lead either to a loss of liquidity or a covenant breach and whether these scenarios were plausible. In our reverse stress testing we reflected controllable mitigating factors including reduced dividends distribution and capital expenditures to the extent we concluded these were controllable. In our demerger sensitivity analysis we considered the fact that the structure of the transaction is under management control and is subject to lenders’ consent which further mitigates the risk that the transaction proceeds in a manner which are detrimental to the financial position of the Group. We also confirmed the availability of debt facilities to the signed debt agreements, and reviewed their underlying terms, including covenants.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company’s ability to continue as a going concern for a 16-month period from the date the financial statements are authorised for issue, being management’s going concern assessment period.

In relation to the Group and Parent Company’s reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors’ statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group’s ability to continue as a going concern.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the Consolidated Financial Statements. We take into account size, risk profile, changes in the business environment and other factors when assessing the level of work to be performed at each entity.

The EVRAZ Group has centralised processes and controls over the key areas of our audit focus with responsibility lying with Group management for the majority of estimation processes and significant risk areas. We have tailored our audit response accordingly and thus for the majority of our focus areas, audit procedures were undertaken directly by the Group audit team with testing undertaken by the component audit teams on the verification of operational data and other routine processes.

In assessing the risk of material misstatement to the Consolidated Financial Statements, and to ensure we had adequate quantitative coverage of significant accounts, of the 47 reporting components

of the Group we selected 15 components, covering entities within Russia, Switzerland, Canada, Luxembourg, the UK and the USA, which represent the principal business units within the Group where component teams carried out full, specific, review or specified procedures.

Of the 15 components selected, we performed an audit of the complete financial information of seven components (full scope components), which were selected based on their size or risk characteristics. For the two selected components (specific scope components) we performed audit procedures on specific accounts within the component that we considered had the potential for the greatest impact on the amounts in the Consolidated Financial Statements, either because of the size of these accounts or their risk profile. The extent of our audit work on the specific scope accounts was similar to that for a full scope audit. For the one review scope component, the primary team performed analytical review procedures to obtain an understanding of the business, the industry and the environment in which the component operates sufficient to identify the risks of material misstatement. This included considering the component’s

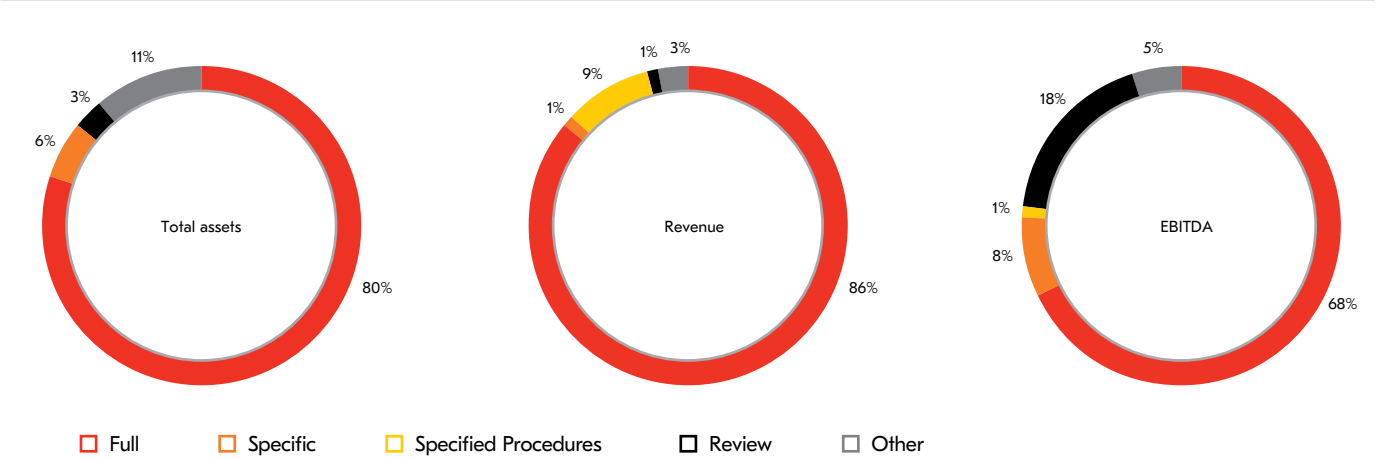
organization, its accounting systems and other matters relevant to the financial data presented in the reporting package. For the remaining five components (“specified procedures”), the primary team performed procedures directly focussing on the specific accounts.

The nine reporting components where we performed full or specific scope procedures accounted for 76% (2019: 72%) of the Group EBITDA, 87% (2019: 84%) of the Group’s revenue and 86% (2019: 84%) of the Group’s total assets. For the current year, the full scope components contributed 68% (2019: 53%) of the Group EBITDA, 86% (2019: 83%) of the Group’s revenue and 80% (2019: 80%) of the Group’s total assets. The specific scope components contributed 8% (2019: 19%) of the Group EBITDA, 1% (2019: 1%) of the Group’s revenue and 6% (2019: 4%) of the Group’s total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group. A further breakdown of the size of these components compared to key metrics of the Group is provided below.

Overview of our audit approach

Audit scope	<ul style="list-style-type: none">We performed an audit of the complete financial information of seven components, audit procedures on specific balances for a further two components, review procedures on one component and specified procedures on five componentsThe nine reporting components where we performed full or specific audit procedures accounted for 76% of the Group’s EBITDA and 87% of the Group’s revenue (with 68% and 86% respectively representing seven full scope components and 8% and 1% respectively two specific scope components)The six reporting components where we performed review or specified procedures accounted for 19% of the Group’s EBITDA and 10% of the Group’s revenue (with 18% and 1% respectively representing one review scope component and 1% and 9% respectively five specified procedures components)For the remaining 32 reporting components of the Group representing 5% of the Group’s EBITDA and 3% of the Group’s revenue we have performed other procedures appropriate to respond to the risk of material misstatementWe have obtained an understanding of the entity-level controls of the Group which assisted us in identifying and assessing risks of material misstatement due to fraud or error, as well as assisting us in determining the most appropriate audit strategy
Key audit matters	<ul style="list-style-type: none">Goodwill and non-current asset impairmentRecoverability of deferred tax assets related to EVRAZ North AmericaCompleteness of related party transactionsParent company – Investment in subsidiaries impairment considerations and determination of distributable reserves
Materiality	<ul style="list-style-type: none">Overall Group materiality of \$66 million (2019: \$75 million), which represents approximately 3% (2019: 3%) of EBITDA.

2020 scope chart



For the remaining 32 components of the Group we performed other procedures, including analytical review, review of internal audit reports, testing of consolidation journals, cross check of the related party list against journals, intercompany eliminations and foreign

currency translation recalculations to respond to any potential significant risks of material misstatement to the Consolidated Financial Statements.

We have obtained an understanding of the entity-level controls of the Group

as a whole which assisted us in identifying and assessing risks of material misstatement due to fraud or error, as well as assisting us in determining the most appropriate audit strategy.

Changes from the prior year

Our scope allocation in the current year is broadly consistent with 2019 in terms of overall coverage of the Group and the number of full and specific scope entities except for the following changes:

- EVRAZ Metall Inprom Group moved from other scope to specified procedures scope in the current year due to an increase in revenue from sales of goods; and
- EMNA component that was assessed as review scope last year was moved to other scope this year (as it is no longer material for EVRAZ Consolidated Financial Statements).

This led to the increased revenue coverage for full and specific scope components as indicated above.

Integrated team structure

The overall audit strategy is determined by the senior statutory auditor. The senior statutory auditor is based in the UK, but, since Group management and many operations reside in Russia, the Group audit team includes members from both the UK and Russia who work together as an integrated team throughout the audit process. The senior statutory auditor focused his time on the significant risks and judgemental areas of the audit. He attended management's going concern, impairment and significant estimates and judgements presentations to the Audit Committee via video calls. During the current year's audit he reviewed key working papers and held conference calls with representatives of the component audit team for all Russian and North American based full and specific scope components including internal valuation specialists used in the audit to discuss the audit approach and issues arising from their work.

Impact of the COVID-19 pandemic

Early in the planning process, we worked with EVRAZ to agree a timetable to provide sufficient time for the judgements arising from COVID-19 to be considered fully, disclosures adequately assessed, and to reflect the incremental time impact on completing our year end external audit remotely.

The Group audit team performed the year-end audit fully remotely. We engaged with EVRAZ throughout the audit, using video calls, secure encrypted document exchanges and data downloads to avoid any limitation on the audit evidence required.

In instances where physical access to sites was restricted due to social distancing measures, we conducted inventory counts remotely using mobile video technology. All key meetings, such as closing and Audit Committee meetings, were performed via video conference calls.

We have refined our methods of interaction to ensure direction by the Partner in Charge throughout the audit, ensuring involvement in key calls throughout the audit both internally and with EVRAZ management. Additional calls were held with the Chair of the Audit Committee to consider audit progress, timetable and matters arising.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team or by component auditors from other EY global network firms operating under our instruction. Of the seven full scope components, audit procedures were performed on all of these by the relevant component audit teams.

Of the two specific scope components selected, audit procedures were performed on one of these directly by the primary audit team. For the components where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

Impact of the COVID-19 pandemic

The physical visits of the Group team to the component teams planned for 2020 and 2021 had to be replaced by virtual meetings due to the travel restrictions imposed by the COVID-19 outbreak.

These virtual meetings involved discussing the audit approach with the component teams and any issues arising from their work, including any impacts of COVID-19 on the Group or our component audit procedures. The primary audit team participated in key discussions, via conference calls with all full and specific scope locations. The primary audit team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. We maintained continuous and open dialogue with the component audit teams in addition to holding formal meetings to ensure that we were fully aware of their progress and results of their procedures. This, together with the additional procedures performed at Group level, gave us appropriate audit evidence for our opinion on the Consolidated Financial Statements.

of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

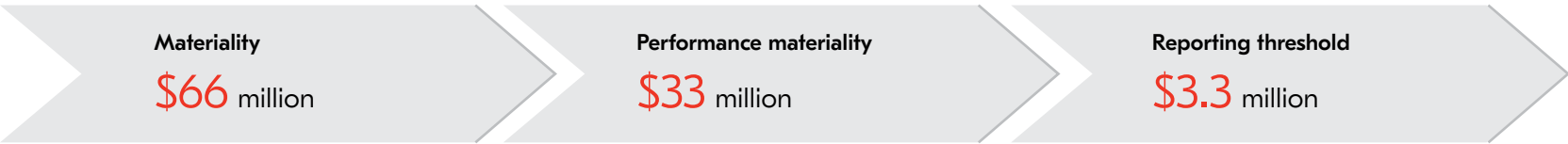
Risk	Our audit approach	What we reported to the Audit Committee
Goodwill and non-current asset impairment		Risk direction: ← →
Refer to the Group Audit Committee report on page 120, the estimates and judgements on pages 167-169 and the disclosures of impairment in note 6 of the Consolidated Financial Statements		
At 31 December 2020 the carrying value of goodwill was \$457 million (2019: \$594 million). The carrying value of Property, Plant and equipment was \$4,315 million (2019: \$4,925 million). The Group recognised a net impairment charge in respect of Goodwill of \$148 million (2019: \$300 million) and \$162 million in respect of items of PP&E during the year (2019: \$142 million). The continued unstable economic and geopolitical environment, wider impacts of Covid-19 and commodity price volatility led us to conclude that risk had remained at the same level as the prior year in respect of Group non-current assets.	Our audit procedures were performed mainly by the Group audit team with the assistance of our valuation specialists, with the exception of certain location specific inputs to management's models, which were assessed by the component teams under instruction from the Group team. We confirmed our understanding of the impairment assessment process. Our audit procedures included the evaluation of management's key assumptions used in their impairment models. The assumptions to which the models were most sensitive and most likely to lead to further impairments were: <ul style="list-style-type: none">• decreases in commodity prices;• increases in production costs;• discount rates;• Capex;• sales volumes; and• terminal growth rate.	Due to challenges raised through our audit process management changed a number of their assumptions resulting in the recognition of an additional impairment in the Large Diameter Pipe CGU of \$218 million and the modification of certain sensitivity disclosures for other CGUs. We consider management's final estimates to be reasonable for the current year, with key assumptions within an acceptable range where appropriate. Management has reflected known changes in the circumstances of each CGU in its forecasts for forthcoming periods, including their best estimate of the North American tariffs' impact. After modifications were made as a result of our challenges, we concluded that the related disclosures provided in the Consolidated Financial Statements are appropriate. Given the inherent uncertainty of management's assumptions on anti-dumping duties (especially for Large Diameter Pipe CGU), we ensured that the importance of anti-dumping duties is appropriately disclosed. We have not identified evidence to suggest that management's assumptions on anti-dumping duties are unreasonable.
In accordance with IAS 36 management disclosed that, in addition to the impairment charge already recognised, a reasonably possible change in discount rates, sales prices and cost control measures, would lead to impairments in Flat, Seamless and Nikom CGUs where no impairment is currently recognised.	We challenged management's assumptions with reference to historical data and, where applicable, external benchmarks. In instances where management's assumptions fell outside an acceptable range, we considered the impact on headroom in the models and disclosures ensuring adjustments were made where necessary. We performed an independent estimate of key assumptions and in some instances applied our own valuation methodology to determine our own range of potential recoverable values of the North American CGUs comparing to management's assumptions and making adjustments when appropriate. We have discussed and tested, including consideration of potentially contradictory evidence, management's assumptions that the North American anti-dumping duties will stay in place until 2024 and the resultant impact on other key assumptions in the model noted above. For external market information, we compared management's assumptions to those of our local specialists.	
We focused on this area due to the significance of the carrying value of the assets being assessed, the number and size of recent impairments, the recent economic environment in the Group's operating jurisdictions and because the assessment of the recoverable amount of the Group's Cash Generating Units ("CGUs") involves significant judgements about the future results of the business and the discount rates applied to future cash flow forecasts.		
In particular we focused our effort on those CGUs with the largest carrying values and those with the lowest headroom (EVRAZ North America CGUs).		
	We tested the integrity of management's models, recalculated their sensitivity calculations and with the help of our specialists ran our own sensitivity calculations. We compared the historical accuracy of management's budgets and forecasts to actual results, sought appropriate evidence for any anticipated improvements and considered the presence of any contrary evidence in major assumptions such as discount rates, sales volumes, EBITDA per ton, CAPEX assumptions. We corroborated previous forecasts with actual data. We tested the appropriateness of the related disclosures provided in the Consolidated Financial Statements. In particular we ensured the adequacy of the disclosures regarding those CGUs with material goodwill balances and where a reasonably possible change in certain variables could lead to impairment charges.	

Risk	Our audit approach	What we reported to the Audit Committee
Recoverability of deferred tax assets related to EVRAZ North America		Risk direction: ↑
Refer to note 8 of the Consolidated Financial Statements		
At 31 December 2020 the EVRAZ North America business unit has recognised a net deferred tax asset of \$219 million (2019: \$117 million) which management anticipates utilising in future periods. The recoverability of the deferred tax assets ('DTA') is subject to judgement regarding the future profitability of the Canadian and US subsidiaries. During the year their net DTA balances have increased from \$25m and \$92m to \$113m and \$106m respectively which, when considered along with the prolonged period of expected utilisation and 20 year limit on carrying non-capital tax losses in Canada, was considered as a reason to elevate the risk classification.	<p>Our audit procedures were performed mainly by the Group audit team with the assistance of our tax and valuation specialists.</p> <p>We confirmed our understanding of the Group's DTA recoverability assessment process as well as the control environment implemented by management.</p> <p>We ensured that the forecasts used by management for assessing the recoverability of DTAs were consistent with those used when testing for impairment and assessing going concern and viability. We challenged management's assumptions with reference to historical data and, where applicable, external benchmarks. In instances where management's assumptions fell outside an acceptable range, we considered the impact on headroom in the models and disclosures ensuring adjustments were made where necessary.</p> <p>We noted that any specific risks identified in the impairment assessment were reflected in the cash flows (as opposed to discount rates or other assumptions) which therefore appropriately reduced profit projections prepared for the purpose of DTA recoverability.</p> <p>We reviewed management forecasts to assess whether the deferred tax asset is recoverable and meets the criteria per IAS 12 'Income Tax' for recognition in the financial statements.</p> <p>To scrutinize the sufficiency of the available headroom we performed a stress test by further sensitizing the projected table profits beyond the Group's five-year forecast horizon and business cycle.</p> <p>We considered available tax planning opportunities none of which was incorporated in management's DTA recoverability assessment.</p> <p>We also involved our tax specialists to ensure that the management recoverability analysis was consistent with the US and Canadian tax provisions including expiry periods for tax losses carried forward.</p>	<p>Based on the procedures performed we concluded that management's assessment of recoverability is reasonable.</p> <p>At the same time, we point out that management's forecasts for the Canadian business unit indicates a 13 year period to fully recover the respective DTA balance.</p> <p>From our stress test we concluded that the existing headroom is sufficient to accommodate a further 30% reduction in the forecast taxable profits compared to the current projections before any of the available tax losses are at risk of expiry. When straight forward, available tax planning opportunities are reflected in the forecasts, this taxable profit decrease would need to be 54% before any of the available tax losses are at risk of expiry.</p> <p>We concluded that the related significant judgement is appropriately disclosed in the Consolidated Financial Statements.</p>
Completeness of related party transactions		Risk direction: ↔
Refer to note 16 of the Consolidated Financial Statements		
During 2015, management discovered historic transactions with a company controlled by a key management person had been erroneously omitted from the prior year's disclosures of related party transactions in the Consolidated Financial Statements, leading to us assessing the completeness of related party transactions as a significant risk. There have been no misstatements of related party transactions/disclosures since 2015, and therefore we have deemed completeness of related party transactions to no longer be an area of significant risk. It remains, however a key audit matter due to the sensitivity of this matter and we believe that it requires special audit consideration. We considered the elevated risk to be limited to the Russian entities within the Group where external business interests, especially in relation to local product suppliers, are more common amongst members of key management.	<p>At both a component team and Group level, we have understood and tested management's process for identifying related parties, and for recording and disclosure of related party transactions.</p> <p>Across the Russian components we obtained an understanding of unusual or high value transactions with new counterparties. We also performed analytical reviews of transactions and balances with customers and suppliers, including consideration of contradictory evidence, to assess whether there are any significant changes in trading activity indicating undisclosed related parties.</p> <p>We selected all directors together with a sample of key management personnel based on our risk assessment, and ran a search for any companies controlled by those individuals (the search was performed via an independent register of all companies based in the CIS and their directors or shareholders). We compared the results of the research made with the list of entities included in the related party listing provided to us by management, and investigated the differences between the listings.</p> <p>We assessed management's evaluation that the transactions were on an arm's length basis by reviewing a sample of agreements and comparing the related party transaction prices to those quoted by comparable unrelated companies.</p>	<p>Based on our procedures performed we have not identified any related party transactions or balances omitted from disclosure.</p> <p>We concluded that the related disclosures provided in the Consolidated Financial Statements are appropriate.</p>

Risk	Our audit approach	What we reported to the Audit Committee
Investment in subsidiaries impairment considerations and determination of distributable reserves		Risk direction: ↔
Refer to notes 3 and 4 of the Separate Financial Statements		
This Key Audit Matter relates to the Parent Company only		
Investment impairment considerations		
At 31 December 2020 the carrying value of investments in subsidiaries was \$15,057 million (2019: \$15,095 million). In 2019 the Group undertook a reorganisation to move the ownership of Raspadskaya and NTMK from EVRAZ Group S.A ("EGSA") to EVRAZ plc, resulting in significant increase in the carrying value of investments and reduction in the headroom underlying subsidiaries' estimated recoverable amounts had over the book value of investments. EGSA made a gain on this transaction which was passed onto EVRAZ plc in the form of a dividend. As a result management assessed the recoverable amount of EVRAZ plc's investment in EGSA based on an aggregation of the fair values of the various business units owned by EGSA, including those within the Group's North American Business.	<p>Our audit procedures were performed mainly by the Group audit team with the assistance of our valuation specialists.</p> <p>Investment impairment considerations</p> <p>We assessed the investments in NTMK and Raspadskaya for impairment indicators including reference to external data.</p> <p>For the investment in EGSA, we tested the integrity of management's models and with the help of our specialists ran our own sensitivity calculations.</p> <p>We recalculated the recoverable amount of the investment in EGSA by using the results of our work on the North American CGUs from our Group impairment work and audited net assets of other EGSA subsidiaries.</p> <p>Distributable reserves</p> <p>We analysed transactions that impacted significantly the retained earnings of the parent company and subsidiary entities paying significant dividends and considered whether any of these transactions did not meet the criteria of distributable profits or losses.</p> <p>We compared the dividends distributed throughout the year with the available distributable reserves at the date of declaration and are satisfied the reserves were sufficient at the dates of distribution.</p> <p>We reviewed management's analysis of profits available for distribution in the parent company comparing this to the proposed year end dividend declaration and agree the dividend is permissible.</p> <p>We also reperformed the calculation of parent company distributable profits available for distribution and audited the roll-forward of profits available for distribution from 1 January to 31 December 2020. We were satisfied that the impairment of the investment in EGSA was appropriately recognised within this calculation.</p>	<p>As noted above, due to challenges raised through our audit process management recognized an additional goodwill and PP&E impairment. This additionally resulted in an impairment of the parent company investment in EGSA and subsequent impact on distributable reserves of \$76 million.</p> <p>Following the recorded adjustment, we consider management's estimate of the recoverable amount of its investments in subsidiaries to be reasonable and the impairment recognized in EGSA to be appropriate.</p> <p>We consider the impact of the various transactions during the year on distributable reserves to be appropriately considered and the reserves available to be satisfactorily disclosed.</p>
Distributable reserves		
At 31 December 2020, EVRAZ plc had \$1,051 million of distributable profits (2019: \$386 million). In 2020, EVRAZ distributed \$872 million of dividends. The Group introduced its current dividend policy in 2018 and although annual profits have been made by the Group since 2017, the Company needs to ensure it has sufficient distributable reserves within the stand-alone parent to declare dividends in accordance with the policy.		
The legal framework applicable to UK companies for determining profits available for distribution is contained in both the Companies Act 2006 and complementary technical guidance. Under this framework, distributions are made by individual companies and not by groups. The EVRAZ consolidated financial statements are therefore not relevant for the purposes of determining EVRAZ's profits available for distribution. Whether or not a distribution may be made should be determined by reference to EVRAZ's 'relevant accounts', being the parent company financial statements.		
Given the judgements in respect of impairment considerations we have included this as a Key Audit Matter consistent with the prior year.		

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.



Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate could reasonably be expected to influence the economic decisions of the users of the Financial Statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be \$66.0 million (2019: \$75.0 million), which is set at approximately 3.0% (2019: 3%) of EBITDA.

We have used an earnings-based measure as our basis of materiality. It was considered inappropriate to calculate materiality using Group profit before tax due to the historic volatility of this metric. EBITDA is a key

performance indicator for the Group and is also a key metric used by the Group in the assessment of the performance of management. We also noted that market and analyst commentary on the performance of the Group uses EBITDA as a key metric. We therefore, considered EBITDA to be the most appropriate performance metric on which to base our materiality calculation as we considered that to be

the most relevant performance measure to the stakeholders of the entity.

We determined materiality for the Parent Company to be \$19.1 million (2019: \$8.7 million), which we calculated as 1.5% (2019: 1.5%) of Equity adjusted to exclude non-distributable reserves which arose on a restructure in 2019.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessment, together with our assessment of the Group's overall control environment, our judgment was that given the number and monetary amounts of individual misstatements (corrected and uncorrected) identified in prior periods as well as the nature of the misstatements, overall performance materiality for the Group should be 50% (2019: 50%) of materiality, namely \$33.0 million (2019: \$37.5 million).

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk

of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year the range of performance materiality allocated to components was \$6.6 million to \$21.5 million.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of \$3.3 million (2019: \$3.8 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

OTHER INFORMATION

The other information comprises the information included in the annual report set out on **pages 1 to 145**, including the Strategic report, Corporate Governance sections (including Corporate governance report, Remuneration report, Directors' Report and Directors' Responsibility statement) and Additional information sections, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially

misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- The strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation

to which the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

- The Parent Company financial statements and the part of the Directors'

Remuneration Report to be audited are not in agreement with the accounting records and returns; or

- Certain disclosures of directors' remuneration specified by law are not made; or

- We have not received all the information and explanations we require for our audit.

CORPORATE GOVERNANCE STATEMENT

The Listing Rules require us to review the directors’ statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Parent Company’s compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors’ statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on **page 145**.
- Directors’ explanation as to its assessment of the Parent Company’s prospects, the period this assessment covers and why the period is appropriate set out on **page 96**.
- Directors’ statement on fair, balanced and understandable set out on **page 145**.
- Board’s confirmation that it has carried out a robust assessment of the emerging and principal risks set out on **page 91**.
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on **page 121**; and;
- The section describing the work of the Audit Committee set out on **page 119**.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors’ responsibilities statement set out on **page 145**, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation

of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and Parent Company’s ability to continue as a going concern, disclosing,

as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high

level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually

or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

EXPLANATION AS TO WHAT EXTENT THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined below, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve

deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection

of fraud rests with both those charged with governance of the company and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant

which are directly relevant to specific assertions in the financial statements are those related to the reporting framework (IFRS, the Companies act 2006 and UK Corporate Governance Code) and the relevant tax compliance regulations in Russia.

- We have considered the impact of the sanctions against Russia on the Group’s operations, customer base and credit risk as well as the possibility of further more restrictive sanctions being imposed and nothing has come to our attention to suggest that the operations or the liquidity of the group have been adversely affected directly by the current political and economic situation other than the negative impact on capital markets and the financing options available to management. We reviewed management’s assessment of the sanctions impact on the Group’s

operations and the external advice received by the Group.

- We understood how EVRAZ plc is complying with those legal and regulatory frameworks by making enquiries to management, internal audit, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Audit Committee. We assessed legal and regulatory frameworks by involvement of integrated team members based in Russia and the USA.
- We assessed the susceptibility of the Group’s financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it is considered there was a susceptibility

of fraud. We also considered performance targets and their propensity to influence on efforts made by management to manage earnings. We considered the programs and controls that the Group has established to address risks identified, or that otherwise prevent, defer and detect fraud; and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free of fraud or error.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor’s report.

OTHER MATTERS WE ARE REQUIRED TO ADDRESS

- We were appointed by the company in 2011 to audit the financial statements for the year ended 31 December 2011 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is ten years, covering

periods from our initial appointment in 2011 through to the year ended 31 December 2020.

- The non-audit services prohibited by the FRC’s Ethical Standard were not provided to the Group or the Parent

Company and we remain independent of the Group and the Parent Company in conducting the audit.

- The audit opinion is consistent with the Audit Committee report.

USE OF OUR REPORT

This report is made solely to the company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state

to the company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume

responsibility to anyone other than the company and the company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Steven Dobson
(Senior statutory auditor)
for and on behalf of Ernst & Young
LLP, Statutory Auditor
London
24 February 2021

Notes:

1. The maintenance and integrity of the EVRAZ plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONSOLIDATED FINANCIAL STATEMENTS WITH NOTES

Consolidated statement of operations

(in millions of US dollars, except for per share information)

		Year ended 31 December		
	Notes	2020	2019	2018
Continuing operations				
Revenue				
Sale of goods	3	\$ 9,514	\$ 11,569	\$ 12,525
Rendering of services	3	240	336	311
		9,754	11,905	12,836
Cost of revenue	7	(6,712)	(8,273)	(8,011)
Gross profit		3,042	3,632	4,825
Selling and distribution costs	7	(840)	(966)	(1,013)
General and administrative expenses	7	(552)	(611)	(546)
Social and social infrastructure maintenance expenses		(31)	(26)	(27)
Gain/(loss) on disposal of property, plant and equipment, net		(3)	3	(11)
Impairment of non-financial assets	6	(310)	(442)	(30)
Foreign exchange gains/(losses), net		408	(341)	361
Other operating income		22	22	24
Other operating expenses	7	(65)	(54)	(55)
Profit from operations		1,671	1,217	3,528
Interest income	7	6	8	18
Interest expense	7	(328)	(336)	(359)
Share of profits/(losses) of joint ventures and associates	11	2	9	9
Impairment of non-current financial assets	13	-	(56)	-
Gain/(loss) on financial assets and liabilities, net	7	(71)	17	13
Gain/(loss) on disposal groups classified as held for sale, net	12	1	29	(10)
Other non-operating gains/(losses), net		14	14	2
Profit before tax		1,295	902	3,201
Income tax expense	8	(437)	(537)	(731)
Net profit		\$ 858	\$ 365	\$ 2,470
Attributable to:				
Equity holders of the parent entity		\$ 848	\$ 326	\$ 2,406
Non-controlling interests		10	39	64
		\$ 858	\$ 365	\$ 2,470
Earnings per share for profit attributable to equity holders of the parent entity, US dollars:				
Basic	20	\$0.58	\$0.23	\$ 1.67
Diluted	20	\$0.58	\$0.22	\$ 1.65

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

(in millions of US dollars)

	Notes	Year ended 31 December		
		2020	2019	2018
Net profit		\$ 858	\$ 365	\$ 2,470
Other comprehensive income/(loss)				
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Exchange differences on translation of foreign operations into presentation currency		(894)	757	(1,120)
Exchange differences recycled to profit or loss on disposal of foreign operations	4,12	-	31	63
Net gains/(losses) on cash flow hedges	25	-	27	(3)
Net (gains)/losses on cash flow hedges recycled to profit or loss	7, 25	-	(33)	-
		(894)	782	(1,060)
Effect of translation to presentation currency of the Group's joint ventures and associates	11	(13)	8	(13)
		(13)	8	(13)
Items not to be reclassified to profit or loss in subsequent periods				
Net gains/(losses) on equity instruments at fair value through other comprehensive income	13	-	-	59
Gains/(losses) on re-measurement of net defined benefit liability	23	(3)	(15)	28
Income tax effect	8	2	(1)	(6)
		(1)	(16)	22
Total other comprehensive income/(loss), net of tax		(908)	774	(992)
Total comprehensive income/(loss), net of tax		\$ (50)	\$ 1,139	\$ 1,478
Attributable to:				
Equity holders of the parent entity		\$ (41)	\$ 1,078	\$ 1,441
Non-controlling interests		(9)	61	37
		\$ (50)	\$ 1,139	\$ 1,478

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of financial position

(in millions of US dollars)

The financial statements of EVRAZ plc (registered number 7784342) on pages 100-190 were approved by the Board of Directors on 24 February 2021 and signed on its behalf by Alexander Frolov, Chief Executive Officer.

		31 December		
	Notes	2020	2019	2018
ASSETS				
Non-current assets				
Property, plant and equipment	9	\$ 4,314	\$ 4,925	\$ 4,202
Intangible assets other than goodwill	10	138	185	206
Goodwill	5	457	594	864
Investments in joint ventures and associates	11	79	92	74
Deferred income tax assets	8	245	152	92
Other non-current financial assets	13	26	40	91
Other non-current assets	13	45	55	44
		5,304	6,043	5,573
Current assets				
Inventories	14	1,085	1,480	1,474
Trade and other receivables	15	378	534	835
Prepayments		80	93	113
Loans receivable		-	32	29
Receivables from related parties	16	10	10	11
Income tax receivable		46	53	35
Other taxes recoverable	17	178	175	201
Other current financial assets	18	2	4	35
Cash and cash equivalents	19	1,627	1,423	1,067
		3,406	3,804	3,800
Total assets		\$ 8,710	\$ 9,847	\$ 9,373
EQUITY AND LIABILITIES				
Equity				
Equity attributable to equity holders of the parent entity				
Issued capital	20	\$ 75	\$ 75	\$ 75
Treasury shares	20	(154)	(169)	(196)
Additional paid-in capital		2,510	2,492	2,480
Revaluation surplus		109	109	110
Unrealised gains and losses	13,25	-	-	6
Accumulated profits		2,187	2,217	3,026
Translation difference		(3,936)	(3,048)	(3,820)
		791	1,676	1,681
Non-controlling interests	32	129	252	257
		920	1,928	1,938
Non-current liabilities				
Long-term loans	22	3,759	4,599	4,186
Deferred income tax liabilities	8	253	352	258
Employee benefits	23	240	271	226
Provisions	24	272	321	222
Lease liabilities	25	57	83	-
Other long-term liabilities	25	102	40	38
		4,683	5,666	4,930
Current liabilities				
Trade and other payables	26	1,264	1,378	1,216
Contract liabilities		314	348	320
Short-term loans and current portion of long-term loans	22	1,078	140	377
Lease liabilities	25	30	34	-
Payables to related parties	16	38	19	122
Income tax payable		108	79	104
Other taxes payable	27	169	153	266
Provisions	24	41	33	35
Amounts payable under put options for shares in subsidiaries	4	65	69	65
		3,107	2,253	2,505
Total equity and liabilities		\$ 8,710	\$ 9,847	\$ 9,373

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

(in millions of US dollars)

	Year ended 31 December		
	2020	2019	2018
Cash flows from operating activities			
Net profit	\$ 858	\$ 365	\$ 2,470
<i>Adjustments to reconcile net profit to net cash flows from operating activities:</i>			
Deferred income tax (benefit)/expense (Note 8)	(142)	5	48
Depreciation, depletion and amortisation (Note 7)	605	578	542
(Gain)/loss on disposal of property, plant and equipment, net	3	(3)	11
Impairment of non-financial assets	310	442	30
Foreign exchange (gains)/losses, net	(408)	341	(361)
Interest income	(6)	(8)	(18)
Interest expense	328	336	359
Share of (profits)/losses of associates and joint ventures	(2)	(9)	(9)
Impairment of non-current financial assets	-	56	-
(Gain)/loss on financial assets and liabilities, net	71	(17)	(13)
(Gain)/loss on disposal groups classified as held for sale, net	(1)	(29)	10
Other non-operating (gains)/losses, net	(14)	(14)	(2)
Allowance for expected credit losses	(2)	3	(1)
Changes in provisions, employee benefits and other long-term assets and liabilities	(17)	-	(16)
Expense arising from equity-settled awards (Note 21)	11	13	15
Other	(1)	(2)	(2)
	1,593	2,057	3,063
<i>Changes in working capital:</i>			
Inventories	250	61	(482)
Trade and other receivables	81	304	(128)
Prepayments	3	26	(48)
Receivables from/payables to related parties	5	(114)	(58)
Taxes recoverable	(30)	29	(24)
Other assets	-	(1)	-
Trade and other payables	(35)	219	108
Contract liabilities	(13)	13	63
Taxes payable	84	(155)	148
Other liabilities	(10)	(9)	(9)
Net cash flows from operating activities	1,928	2,430	2,633
Cash flows from investing activities			
Issuance of loans receivable to related parties	(1)	-	(1)
Issuance of loans receivable	(1)	(9)	(1)
Proceeds from repayment of loans receivable, including interest	1	2	2
Purchases of subsidiaries, net of cash acquired (Note 4)	-	(3)	-
Purchases of disposal groups held for sale (Note 12)	-	(22)	-
Investments in associates and joint ventures (Note 11)	-	(3)	-
Sale of associates (Note 16)	-	5	-
Proceeds from sale of other investments (Notes 18 and 13)	-	32	92
Short-term deposits at banks, including interest	4	7	11
Purchases of property, plant and equipment and intangible assets	(647)	(762)	(521)
Proceeds from disposal of property, plant and equipment	6	16	4
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs (Note 12)	11	44	52
Dividends received (Notes 11 and 16)	1	9	6
Other investing activities, net	2	19	(22)
Net cash flows used in investing activities	(624)	(665)	(378)

Continued on the next page

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows (continued)

(in millions of US dollars)

	Year ended 31 December		
	2020	2019	2018
Cash flows from financing activities			
Purchases of non-controlling interests (Note 4)	\$ (66)	\$ (71)	\$ (24)
Payments for property, plant and equipment on deferred terms	(10)	-	-
Payments for investments on deferred terms (Note 11)	-	(8)	(11)
Dividends paid by the parent entity to its shareholders (Note 20)	(872)	(1,086)	(1,556)
Dividends paid by the Group's subsidiaries to non-controlling shareholders	(5)	(5)	(1)
Proceeds from bank loans and notes (Note 22)	1,218	2,805	1,412
Repayment of bank loans and notes, including interest (Note 22)	(1,304)	(3,035)	(2,459)
Net proceeds from/(repayment of) bank overdrafts and credit lines, including interest (Note 22)	(25)	22	-
Restricted deposits at banks in respect of financing activities	1	-	12
Realised gains/(losses) on derivatives not designated as hedging instruments (Note 25)	(11)	22	11
Realised gains/(losses) on hedging instruments (Note 25)	-	(23)	11
Payments under leases, including interest (Note 25)	(33)	(37)	-
Other financing activities, net	-	1	(1)
Net cash flows used in financing activities	(1,107)	(1,415)	(2,606)
Effect of foreign exchange rate changes on cash and cash equivalents	7	6	(48)
Net increase/(decrease) in cash and cash equivalents	204	356	(399)
Cash and cash equivalents at the beginning of the year	1,423	1,067	1,466
Cash and cash equivalents at the end of the year	\$ 1,627	\$ 1,423	\$ 1,067
Supplementary cash flow information:			
Cash flows during the year:			
Interest paid	\$ (284)	\$ (283)	\$ (320)
Interest received	5	7	9
Income taxes paid (included in operating activities)	(536)	(581)	(623)

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

(in millions of US dollars)

	Attributable to equity holders of the parent entity							Non-controlling interests	Total equity
	Issued capital	Treasury shares	Additional paid-in capital	Revaluation surplus	Unrealised gains and losses	Accumulated profits	Translation difference		
At 31 December 2019	\$ 75	\$ (169)	\$ 2,492	\$ 109	\$ -	\$ 2,217	\$ (3,048)	\$ 1,676	\$ 252
Net profit	-	-	-	-	-	848	-	848	10
Other comprehensive income/(loss)	-	-	-	-	-	(1)	(888)	(889)	(19)
Total comprehensive income/(loss) for the period	-	-	-	-	-	847	(888)	(41)	(9)
Acquisition of non-controlling interests in subsidiaries (Note 4)	-	-	7	-	-	-	-	7	(34)
Change in non-controlling interests due to reorganisation (Note 4)	-	-	-	-	-	45	-	45	(45)
Decrease in non-controlling interests due to put options (Note 4)	-	-	-	-	-	(35)	-	(35)	(30)
Transfer of treasury shares to participants of the Incentive Plans (Notes 20 and 21)	-	15	-	-	-	(15)	-	-	-
Share-based payments (Note 21)	-	-	11	-	-	-	-	11	-
Dividends declared by the parent entity to its shareholders (Note 20)	-	-	-	-	-	(872)	-	(872)	-
Dividends declared by the Group's subsidiaries to non-controlling shareholders	-	-	-	-	-	-	-	-	(5)
At 31 December 2020	\$ 75	\$ (154)	\$ 2,510	\$ 109	\$ -	\$ 2,187	\$ (3,936)	\$ 791	\$ 129
									\$ 920

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

(in millions of US dollars)

	Attributable to equity holders of the parent entity								Non-controlling interests	Total equity
	Issued capital	Treasury shares	Additional paid-in capital	Revaluation surplus	Unrealised gains and losses	Accumulated profits	Translation difference	Total		
At 31 December 2018	\$ 75	\$ (196)	\$ 2,480	\$ 110	\$ 6	\$ 3,026	\$ (3,820)	\$ 1,681	\$ 257	\$ 1,938
Net profit	-	-	-	-	-	326	-	326	39	365
Other comprehensive income/(loss)	-	-	-	-	(6)	(14)	772	752	22	774
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	-	-	-	(1)	-	1	-	-	-	-
Reclassification of additional paid-in capital in respect of the disposed subsidiaries	-	-	(1)	-	-	1	-	-	-	-
Total comprehensive income/(loss) for the period	-	-	(1)	(1)	(6)	314	772	1,078	61	1,139
Acquisition of non-controlling interests in subsidiaries (Note 4)	-	-	-	-	-	(10)	-	(10)	(61)	(71)
Transfer of treasury shares to participants of the Incentive Plans (Notes 20 and 21)	-	27	-	-	-	(27)	-	-	-	-
Share-based payments (Note 21)	-	-	13	-	-	-	-	13	-	13
Dividends declared by the parent entity to its shareholders (Note 20)	-	-	-	-	-	(1,086)	-	(1,086)	-	(1,086)
Dividends declared by the Group's subsidiaries to non-controlling shareholders	-	-	-	-	-	-	-	-	(5)	(5)
At 31 December 2019	\$ 75	\$ (169)	\$ 2,492	\$ 109	\$ -	\$ 2,217	\$ (3,048)	\$ 1,676	\$ 252	\$ 1,928

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

(in millions of US dollars)

	Attributable to equity holders of the parent entity									
	Issued capital	Treasury shares	Additional paid-in capital	Revaluation surplus	Unrealised gains and losses	Accumulated profits	Translation difference	Total	Non-controlling interests	Total equity
At 31 December 2017	\$ 1,507	\$ (231)	\$ 2,500	\$ 111	\$ 39	\$ 635	\$ (2,777)	\$ 1,784	\$ 242	\$ 2,026
Net profit	-	-	-	-	-	2,406	-	2,406	64	2,470
Other comprehensive income/(loss)	-	-	-	-	56	22	(1,043)	(965)	(27)	(992)
Transfer of realised gains on sold equity instruments to accumulated profits (Note 13)	-	-	-	-	(89)	89	-	-	-	-
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	-	-	-	(1)	-	1	-	-	-	-
Reclassification of additional paid-in capital in respect of the disposed subsidiaries	-	-	(35)	-	-	35	-	-	-	-
Total comprehensive income/(loss) for the period	-	-	(35)	(1)	(33)	2,553	(1,043)	1,441	37	1,478
Reduction in par value of shares (Note 20)	(1,432)	-	-	-	-	1,432	-	-	-	-
Acquisition of non-controlling interests in subsidiaries (Note 4)	-	-	-	-	-	(3)	-	(3)	(21)	(24)
Transfer of treasury shares to participants of the Incentive Plans (Notes 20 and 21)	-	35	-	-	-	(35)	-	-	-	-
Share-based payments (Note 21)	-	-	15	-	-	-	-	15	-	15
Dividends declared by the parent entity to its shareholders (Note 20)	-	-	-	-	-	(1,556)	-	(1,556)	-	(1,556)
Dividends declared by the Group's subsidiaries to non-controlling shareholders	-	-	-	-	-	-	-	-	(1)	(1)
At 31 December 2018	\$ 75	\$ (196)	\$ 2,480	\$ 110	\$ 6	\$ 3,026	\$ (3,820)	\$ 1,681	\$ 257	\$ 1,938

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
Year ended 31 December 2020

1. CORPORATE INFORMATION

These consolidated financial statements were authorised for issue by the Board of Directors of EVRAZ plc on 24 February 2021.

EVRAZ plc (“EVRAZ plc” or “the Company”) was incorporated on 23 September 2011 as a public company limited by shares under the laws of the United Kingdom. The Company was incorporated under the Companies Act 2006 with the registered number in England 7784342. The Company’s address is 2 Portman street, London, W1H 6DU, United Kingdom.

The Company is a holding company which owns steel, mining and trading companies. The Company, together with its subsidiaries (the “Group”), is involved in the production and distribution of steel and related products, vanadium products and coal and iron ore mining. The Group is one of the largest steel producers globally.

Until 3 September 2018 Lanebrook Limited (“Lanebrook”) registered in Cyprus was the ultimate controlling party of the Group. On that date Lanebrook distributed all its ownership interest in EVRAZ plc to its direct shareholders in proportion to their holdings in Lanebrook. At 31 December 2020, 2019 and 2018, EVRAZ plc was jointly controlled by a group of 3 shareholders: Greenleas International Holdings Limited (BVI), Abiglaze Limited (Cyprus) and Crosland Global Limited (Cyprus).

The major subsidiaries included in the consolidated financial statements of the Group were as follows at 31 December:

Subsidiary	Effective ownership interest, %			Business activity	Location
	2020	2019	2018		
EVRAZ Nizhny Tagil Metallurgical Plant	100.00	100.00	100.00	Steel production	Russia
EVRAZ Consolidated West-Siberian Metallurgical Plant	100.00	100.00	100.00	Steel production	Russia
EVRAZ Inc. NA	100.00	100.00	100.00	Steel production	USA
EVRAZ Inc. NA Canada	100.00	100.00	100.00	Steel production	Canada
Raspadskaya	95.15*	88.17	83.84	Coal mining	Russia
Yuzhkuzbassugol	95.15*	100.00	100.00	Coal mining	Russia
EVRAZ Kachkanarsky Mining-and-Processing Integrated Works	100.00	100.00	100.00	Ore mining & processing	Russia

* The ownership interest in Raspadskaya and Yuzhkuzbassugol reflects the potential purchase of 4.25% in Raspadskaya under the share buyback offer disclosed in Note 4 *Put Option for the Shares of Raspadskaya*.

The full list of the Group’s subsidiaries and other significant holdings as of 31 December 2020 is presented in Note 34.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These consolidated financial statements of the Group have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (“IFRS”) adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union.

The consolidated financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below. Exceptions include, but are not limited to, property, plant and equipment at the date of transition to IFRS accounted for at deemed cost, equity instruments measured at fair value, assets classified as held for sale measured at the lower of their carrying amount or fair value less costs to sell and post-employment benefits measured at present value.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation (continued)

Going Concern

These consolidated financial statements have been prepared on a going concern basis.

The Group’s financial position at 31 December 2020 including its cash flows, liquidity position and borrowing facilities are set out in the Financial Review section. The Group’s net debt as at 31 December 2020 was \$3,356 million (31 December 2019: \$3,445 million) and its cash plus committed undrawn facilities were \$2,564 million (31 December 2019: \$1,870 million).

As disclosed in Note 30, macroeconomic uncertainty and instability have arisen due to the COVID-19 pandemic. However, the majority of the Group’s businesses were relatively unaffected with no significant issues for production, supply or shipments. Over the going concern period, we will continue to focus on operations amid signs of a recovery in demand and, therefore, prices in key markets. Furthermore, management has already taken actions to increase its liquidity with a new (undrawn) syndicated facility of \$750 million having been secured with a view to the scheduled repayment of the 8.25% notes with the outstanding principal of \$735 million as of 31 December 2020 (Note 28).

The management of EVRAZ plc has considered the Group’s cash flow forecasts for the period to 30 June 2022 being its going concern assessment period and has evaluated various financial performance scenarios, including a base, pessimistic and an additional stress downside test scenario. These scenarios considered the possible impacts of the COVID-19 crisis on the financial results and liquidity position of the Group as well as the potential impact of the possible coal assets demerger (Note 2, Accounting Judgements).

The most pessimistic stress scenario is based upon results at the level experienced in 2009, the lowest reported results since the Group listed in 2005, and assumes prices for steel, iron ore and coal all significantly below management’s current forecasts. In this scenario, the Group maintained sufficient liquidity for the period to 30 June 2022 and would be able to operate within its debt covenants. Furthermore, since 2009 the Group disposed of some of its low-performing assets in South Africa, Ukraine, North America and the Czech Republic and acquired additional assets in the Russian Federation, which have improved the Group’s profitability despite an overall decrease in steel production capacity. The conclusions below are not changed by any currently expected potential impacts of the possible coal assets demerger, a transaction within the Group’s control and which it would not proceed with if it were to have a detrimental impact on going concern or shareholder value. The Group does not reasonably anticipate that the most pessimistic stress scenario will occur, given the relatively limited impacts on the Group’s businesses to date and the signs of a recovery in key markets.

Based on this analysis and other currently available facts and circumstances directors and management have a reasonable expectation that the Company and the Group have adequate resources to continue as a going concern.

Changes in Accounting Policies

New/Revised Standards and Interpretations Adopted in 2020:

- Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 “Business Combinations” clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

- Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 “Financial Instruments: Recognition and Measurement” provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no material impact on the consolidated financial statements of the Group.

- Amendment to IFRS 16: COVID-19-related Rent Concessions

The amendment provides relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19-related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

- Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of the Group.

- Amendments to References to the Conceptual Framework in IFRS Standards

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in Accounting Policies (continued)

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Standards Issued But Not Yet Effective

Standards not yet effective for the financial statements for the year ended 31 December 2020	Effective for annual periods beginning on or after
• Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16: Interest Rate Benchmark Reform, phase 2	1 January 2021
• Amendments to IFRS 4: Extension of the Temporary Exemption from Applying IFRS 9	1 January 2021
• Amendments to IFRS 3: Reference to the Conceptual Framework	1 January 2022*
• Amendments to IAS 16: Proceeds before intended use	1 January 2022*
• Amendments to IAS 37: Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022*
• Amendments to Annual improvements 2018-2020	1 January 2022*
• IFRS 17 “Insurance Contracts”, including amendments	1 January 2023*
• Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2023*
• Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023*
• Amendments to IAS 8: Definition of Accounting Estimates	1 January 2023*

*Subject to UK endorsement

The Group expects that the adoption of the pronouncements listed above will not have a significant impact on the Group’s results of operations and financial position in the period of initial application.

Interest Rate Benchmark Reform, phase 2

Over the past few years global financial regulators developed a reform aimed at replacement of benchmark interbank offered rates (“IBORs”), such as LIBOR and EURIBOR, with new “official” benchmark rates, known as alternative risk-free rates. This reform caused changes to financial reporting requirements under IFRS. The International Accounting Standards Board tackled the changes in two phases.

- Phase 1 amended specific hedge accounting requirements where uncertainty could arise in the run-up to transition;
- Phase 2 addressed potential financial reporting issues that may arise when IBORs are either reformed or replaced.

In 2017 it was announced that LIBOR, one of the most widely used benchmarks, will be discontinued after December 2021, as panel banks will no longer be required to submit the quotes used to construct it.

The Group has a number of short-term and long-term borrowings with variable interest rates. Currently the Group is assessing its floating-rate debt maturing after 2021 and discussing with banks the possible changes to the contract terms. It is expected that IBORs will be replaced by Secured Overnight Financing Rate (“SOFR”). All new loan agreements contain appropriate fallback language. The Group is in the process of evaluation of the effect of application of these amendments.

Significant Accounting Judgements and Estimates

Accounting Judgements

In the process of applying the Group’s accounting policies, management has made the following judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements:

- The Group determined based on the criteria in IFRIC 4 “Determining whether an Arrangement Contains a Lease” (before 2019) and IFRS 16 “Leases” (from 2019) that the supply contracts with PraxAir and Air Liquide do not contain a lease. These contracts include the construction of air separation plants by PraxAir and Air Liquide to be owned and operated by them and the supply of oxygen and other industrial gases produced by the entities to the Group’s steel plants for a long-term period on a take or pay basis. Management believes that these arrangements do not convey a right to the Group to use the assets as the Group does not have an ability to operate the assets or to direct other parties to operate the assets; it does not control physical access to the assets; and it is expected that more than an insignificant amount of the assets’ output will be sold to the parties unrelated to the Group. The commitments under the contracts are disclosed in Note 30.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Judgements and Estimates (continued)

Accounting Judgements (continued)

- In 2019, the Group concluded a contract with Xcel Energy Inc. for the construction of a solar power plant to be owned and operated by a third party and for the supply of electricity to the Group’s steel plant for a long-term period on a take-or-pay basis. The Group determined based on the criteria in IFRS 16 “Leases” that the supply contract with Xcel Energy Inc. does not contain a lease. Management believes that this arrangement does not convey a right to the Group to use the assets as the Group does not have an ability to operate the assets or to direct other parties to operate the assets; it does not control physical access to the assets; and it is expected that more than an insignificant amount of the assets’ output will be sold to the parties unrelated to the Group. The commitments under the contract are disclosed in Note 30.
- In 2019, an independent trader concluded contracts with two Group’s subsidiaries: for the purchase of semi-finished steel products with one subsidiary of the Steel segment and for the sale of semi-finished steel products with another subsidiary of the Steel North America segment. The Group analysed the nature of the contracts and determined that they require a separate recognition of the sales and purchase transactions as there is neither a tripartite agreement, nor a call or put option, which would require to treat these contracts as a single arrangement. Specifically, the trader bears full inventory and market risks, it has a full discretion in establishing prices for each contract separately based on prevailing market conditions. In 2020, the Group sold to the independent trader 322 thousand metric tonnes of slabs for \$145 million (2019: 330 thousand metric tonnes of slabs for \$161 million) and purchased from it 276 thousand metric tonnes for \$141 million (2019: 192 thousand metric tonnes for \$108 million).
- In June 2020 and January 2021, the Board of directors discussed the possible de-merger of a group of coal companies headed by Raspadskaya, which constitutes a major part of the coal segment. However, at 31 December 2020 and at the date of authorisation of these consolidated financial statements for issue, it remained uncertain whether this transaction would be finally approved by the directors and executed as there were a number of additional significant uncertainties and potential conditions pending, such as approval of the transaction by shareholders and bondholders, by the regulatory authorities of the UK and the Russian Federation. Accordingly, the classification, measurement and presentation requirements of IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” have not been applied to the coal segment in the consolidated financial statements for the year ended 31 December 2020. If the transaction is approved by all respective individuals and authorities, the coal segment will meet the criteria of a major business line, consequently, its disposal shall be treated as discontinued operations.
- In 2020, certain Group’s suppliers sold their accounts receivable from the Group under factoring contracts to banks with no recourse. The Group analysed these reverse factoring arrangements and determined that they do not significantly change the terms and conditions of payments, i.e. they do not contain a financing component and, consequently, should continue to be presented as trade payables in the consolidated statement of financial position and in cash flows from operating activities in the consolidated statement of cash flows. At 31 December 2020, \$188 million were unpaid under the reverse factoring liabilities.

Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

Impairment of Property, Plant and Equipment

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. In 2020, 2019 and 2018, the Group recognised a net impairment reversal/(loss) of \$(162) million, \$(142) million and \$(30) million, respectively (Notes 6 and 9).

The determination of impairments of property, plant and equipment involves the use of estimates that include, but are not limited to, the cause, timing and amount of the impairment. Impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth in the industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate that impairment exists.

The determination of the recoverable amount of a cash-generating unit involves the use of estimates by management. Methods used to determine the value in use include discounted cash flow-based methods, which require the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. These estimates, including the methodologies used, may have a material impact on the value in use and, ultimately, the amount of any impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant Accounting Judgements and Estimates (continued)

Estimation Uncertainty (continued)

Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount of goodwill at 31 December 2020, 2019 and 2018 was \$457 million, \$594 million and \$864 million, respectively. In 2020, 2019 and 2018, the Group recognised an impairment loss in respect of goodwill in the amount of \$132 million, \$300 million and \$Nil, respectively. More details of the assumptions used in estimating the value in use of the cash-generating units to which goodwill is allocated are provided in Note 6.

Deferred Income Tax Assets

At 31 December 2020, 2019 and 2018, the Group had recognised net deferred tax assets of \$245 million, \$152 million and \$92 million, respectively (Note 8). These assets mostly related to the US and Canadian subsidiaries and mainly consisted of the unused tax losses and tax credits. Such assets are recognised only to the extent that there are sufficient taxable temporary differences or there is convincing evidence that sufficient taxable profits will be available against which the deductible temporary differences can be utilised.

The assumptions about generation of future taxable profits depend on management’s estimates of future cash flows and are contained in yearly budgets and long-term forecasts. Judgements and assumptions are also required about the application of income tax legislation, expiration of tax losses carried forward and tax planning strategies.

All these judgements and assumptions are subject to risks and uncertainties, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the consolidated statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances some or all of the carrying amounts of the recognised deferred tax assets may require a material adjustment within the next year, resulting in a corresponding credit or charge to the consolidated statement of operations.

Post-Employment Benefits

The Group uses an actuarial valuation method for the measurement of the present value of post-employment benefit obligations and related current service cost. This involves the use of demographic assumptions about the future characteristics of the current and former employees who are eligible for benefits (mortality, both during and after employment, rates of employee turnover, disability and early retirement, etc.) as well as financial assumptions (discount rate, future salary and benefit levels, expected rate of return on plan assets, etc.). More details are provided in Note 23.

Foreign Currency Transactions

The presentation currency of the Group is the US dollar because presentation in US dollars is most relevant for the major current and potential users of the consolidated financial statements.

The functional currencies of the Group’s subsidiaries are the Russian rouble, US dollar, euro, Czech koruna, Canadian dollar and Ukrainian hryvnia. At the reporting date, the assets and liabilities of the subsidiaries with functional currencies other than the US dollar are translated into the presentation currency at the rate of exchange ruling at the end of the reporting period, and their statements of operations are translated at the exchange rates that approximate the exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a subsidiary with functional currency other than the US dollar, the deferred cumulative amount recognised in equity relating to that particular subsidiary is recognised in the statement of operations.

The following exchange rates were used in the consolidated financial statements:

	2020		2019		2018	
	31 December	Average	31 December	average	31 December	average
USD/RUB	73.8757	72.1464	61.9057	64.7362	69.4706	62.7078
EUR/USD	1.1271	1.1422	1.1234	1.1195	1.1450	1.1810
USD/CAD	1.2740	1.3413	1.2968	1.3269	1.3658	1.2962
USD/UAH	n/a	n/a	n/a	26.1337	27.6883	27.2029

Transactions in foreign currencies in each subsidiary of the Group are initially recorded in the functional currency at the rate ruling at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the end of the reporting period. All resulting differences are taken to the statement of operations. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Consolidation

Subsidiaries

Subsidiaries, which are those entities in which the Group has an interest of more than 50% of the voting rights and over which the Group has control, or otherwise has power to exercise control over their operations, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the parent’s shareholders’ equity.

Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Acquisition of Subsidiaries

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets.

Acquisition costs incurred are expensed and included in administrative expenses.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

The initial accounting for a business combination involves identifying and determining the fair values to be assigned to the acquiree’s identifiable assets, liabilities and contingent liabilities and the cost of the combination. If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree’s identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts for the combination using those provisional values. The Group recognises any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date.

Comparative information presented for the periods before the completion of initial accounting for the acquisition is presented as if the initial accounting had been completed from the acquisition date.

Increases in Ownership Interests in Subsidiaries

The differences between the carrying values of net assets attributable to interests in subsidiaries acquired and the consideration given for such increases is either added to additional paid-in capital, if positive, or charged to accumulated profits, if negative, in the consolidated financial statements.

Purchases of Controlling Interests in Subsidiaries from Entities under Common Control

Purchases of controlling interests in subsidiaries from entities under common control are accounted for using the pooling of interests method.

The assets and liabilities of the subsidiary transferred under common control are recorded in these financial statements at the historical cost of the controlling entity (the “Predecessor”). Related goodwill inherent in the Predecessor’s original acquisition is also recorded in the financial statements. Any difference between the total book value of net assets, including the Predecessor’s goodwill, and the consideration paid is accounted for in the consolidated financial statements as an adjustment to the shareholders’ equity.

These financial statements, including corresponding figures, are presented as if a subsidiary had been acquired by the Group on the date it was originally acquired by the Predecessor.

Put Options over Non-controlling Interests

The Group derecognises non-controlling interests if non-controlling shareholders have a put option over their holdings. The difference between the amount of the liability recognised in the statement of financial position and the carrying value of the derecognised non-controlling interests is charged to accumulated profits.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in Associates

Associates are entities in which the Group generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control.

Investments in associates are accounted for under the equity method of accounting and are initially recognised at cost including goodwill. Subsequent changes in the carrying value reflect the post-acquisition changes in the Group’s share of net assets of the associate and goodwill impairment charges, if any.

The Group’s share of its associates’ profits or losses is recognised in the statement of operations and its share of movements in reserves is recognised in equity. However, when the Group’s share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has legal or constructive obligations to make payments to, or on behalf of, the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Interests in Joint Ventures

The Group’s interest in its joint ventures is accounted for under the equity method of accounting whereby an interest in jointly ventures is initially recorded at cost and adjusted thereafter for post-acquisition changes in the Group’s share of net assets of joint ventures. The statement of operations reflects the Group’s share of the results of operations of joint ventures.

Property, Plant and Equipment

The Group’s property, plant and equipment is stated at purchase or construction cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any impairment in value. Such cost includes the cost of replacing part of plant and equipment when that cost is incurred and recognition criteria are met.

The Group’s property, plant and equipment include mining assets, which consist of mineral reserves, mine development and construction costs and capitalised site restoration costs. Mineral reserves represent tangible assets acquired in business combinations. Mine development and construction costs represent expenditures incurred in developing access to mineral reserves and preparations for commercial production, including sinking shafts and underground drifts, roads, infrastructure, buildings, machinery and equipment.

At each end of the reporting period management makes an assessment to determine whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is the higher of an asset’s fair value less cost to sell and its value in use. The carrying amount is reduced to the recoverable amount, and the difference is recognised as impairment loss in the statement of operations or other comprehensive income. An impairment loss recognised for an asset in previous years is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount.

Land is not depreciated. Depreciation of property, plant and equipment, except for mining assets, is calculated on a straight-line basis over the estimated useful lives of the assets. The useful lives of items of property, plant and equipment and methods of their depreciation are reviewed, and adjusted as appropriate, at each fiscal year end.

The table below presents the useful lives of items of property, plant and equipment.

	Useful lives (years)	Weighted average remaining useful life (years)
Buildings and constructions	15–60	18
Machinery and equipment	4–45	8
Transport and motor vehicles	7–20	8
Other assets	3–15	3

The Group determines the depreciation charge separately for each significant part of an item of property, plant and equipment.

Depletion of mining assets including capitalised site restoration costs is calculated using the units-of-production method based upon proved and probable mineral reserves. The depletion calculation takes into account future development costs for reserves which are in the production phase.

Maintenance costs relating to items of property, plant and equipment are expensed as incurred. Major renewals and improvements are capitalised, and the replaced assets are derecognised.

The Group has the title to certain non-production and social assets, primarily buildings and facilities of social infrastructure, which are carried at their recoverable amount of zero. The costs to maintain such assets are expensed as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Mineral Reserves

The Group estimates its mineral reserves in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (“JORC Code”). Estimation of reserves in accordance with the JORC Code involves some degree of uncertainty. The uncertainty depends mainly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of this data, which also requires use of subjective judgement and development of assumptions.

The changes in the pricing environment and geology-related risk factors may lead to a revision of mining plans, decisions to abandon or to mothball certain parts of a mine, to a reassessment of the capital expenditures required for the extraction of the proved and probable reserves, as well as to the changes in the resources classified as proved and probable reserves. These changes may have an impact on the depletion charge and impairment, which may arise as a result of a decline in the recoverable amounts of the affected mines.

Exploration and Evaluation Expenditures

Exploration and evaluation expenditures represent costs incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. The expenditures include acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling, activities in relation to evaluating the technical feasibility and commercial viability of extracting mineral resources. These costs are expensed as incurred.

When the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the Group commences recognition of expenditures related to the development of mineral resources as assets. These assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Leases

Group as a Lessee

The determination of whether an arrangement is, or contains, a lease is done at contract inception and includes the assessment of whether the arrangement conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term or exercise a purchase option, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Otherwise, the lessee depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Right-of-use assets are subject to impairment. The right-of-use assets are included in the Property, plant and equipment caption of the statement of financial position (Note 9).

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate is determined based on the Group’s borrowing rates for similar terms and currencies in an economic environment, in which the lessee operates. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment of plans to purchase the underlying asset.

The lease term is a non-cancellable period for which a lessee has the right to use an underlying asset, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised.

The lease term of cancellable or renewable leases is dependent of the enforceability of the contract beyond the date on which it can be terminated. The contract is enforceable if only one party of the lease contract has the right to terminate the lease without permission from the other party with no more than an insignificant penalty. In this case the Group, as a lessee, assesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option.

Lease payments for contracts with a duration of 12 months or less or leases for which the underlying assets are of low value are not recognised as lease liabilities. They are expensed to the statement of operations on a straight-line basis over the lease term and included in cost of revenues, selling, general and administrative expenses.

Information about lease arrangements is disclosed in Note 25.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Group as a Lessor

Finance leases, in which the Group acts as a lessor, when substantially all the risks and benefits incidental to ownership of the leased item are transferred to the lessee, are recognised as net investments in finance lease from the commencement of the lease term at the present value of the minimum lease payments. Lease payments are apportioned between the finance income and reduction of the lease receivable so as to achieve a constant rate of interest on the remaining balance of receivables. Finance income is included in the interest income caption.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases (Note 9). Operating lease income is recognised within the rendering of services caption on a straight-line basis over the lease term.

Accounting for Leases before 2019

Before 1 January 2019 the Group recognised as liabilities only finance lease arrangements. Finance leases, which involved the transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, were capitalised from the commencement of the lease term at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges were charged to interest expense.

Leases where the lessor retained substantially all the risks and benefits of ownership of the asset were classified as operating leases. Operating lease payments were recognised as an expense in the statement of operations on a straight-line basis over the lease term.

Goodwill

Goodwill represents the excess of the aggregate of the consideration transferred for an acquisition of a subsidiary or an associate and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the acquiree, the difference is recognised in the consolidated statement of operations.

Goodwill on acquisition of a subsidiary is included in intangible assets. Goodwill on acquisition of an associate is included in the carrying amount of the investments in associates.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, or the group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible Assets Other Than Goodwill

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditures on internally generated intangible assets, excluding capitalised development costs, are expensed as incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite life are reviewed at least at each year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are treated as changes in accounting estimates. Intangible assets with indefinite useful lives are not amortised, they are tested for impairment annually either individually or at the cash-generating unit level.

The table below presents the useful lives of intangible assets.

	Useful lives (years)	Weighted average remaining useful life (years)
Customer relationships	1–15	3
Contract terms	10	3
Other	5–19	4

Certain water rights and environmental permits are considered to have indefinite lives as management believes that these rights will continue indefinitely. The most part of the Group’s intangible assets represents customer relationships arising on business combinations (Note 10).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them, i.e. how the Group manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

With the exception of trade and other receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Trade and Other Accounts Receivable

Trade and other receivables are recognised at their transaction price as defined in IFRS 15 “Revenue” if they do not contain a significant financing component or if the Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

For trade and other receivables, the Group applies a simplified approach for calculating the expected credit losses. Therefore, the Group does not track changes in credit risk, but, instead, it recognises a loss allowance based on the lifetime expected credit losses at each reporting date. The Group separately determines the expected credit losses for individually significant balances or collectively for trade and other receivables that are not individually significant.

The expected credit losses for individually significant balances are estimated using debtors’ historical credit loss experience adjusted for forward-looking factors specific to the debtors and economic environment.

Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average basis and includes expenditure incurred in acquiring or producing inventories and bringing them to their existing location and condition. The cost of finished goods and work in progress includes an appropriate share of production overheads based on normal operating capacity, but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Value Added Tax

The tax authorities permit the settlement of sales and purchases value added tax (“VAT”) on a net basis.

The Group’s subsidiaries apply the accrual method for VAT recognition, under which VAT becomes payable upon invoicing and delivery of goods or rendering services as well upon receipt of prepayments from customers. VAT on purchases, even if not settled at the end of the reporting period, is deducted from the amount of VAT payable.

Where provision has been made for impairment of receivables, an impairment loss is recorded for the gross amount of the debtor, including VAT.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand and deposits with an original maturity of three months or less.

Borrowings

Borrowings are initially recognised at fair value, net of directly attributable transaction costs. After initial recognition, borrowings are measured at amortised cost using the effective interest rate method; any difference between the amount initially recognised and the redemption amount is recognised as interest expense over the period of the borrowings.

Borrowing costs relating to qualifying assets are capitalised (Note 9).

Equity

Share Capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction in equity from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Treasury Shares

Own equity instruments which are acquired by the Group (treasury shares) are deducted from equity. No gain or loss is recognised in statement of operations on the purchase, sale, issue or cancellation of the treasury shares. Any difference between the carrying amount and the consideration, if reissued, is recognised in additional paid-in capital.

Dividends

Dividends are recognised as a liability and deducted from equity only if they are declared before the end of the reporting period. Dividends are disclosed when they are proposed before the end of the reporting period or proposed or declared after the end of the reporting period but before the financial statements are authorised for issue.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

Site Restoration Provisions

The Group reviews site restoration provisions at each reporting date and adjusts them to reflect the current best estimate in accordance with IFRIC 1 “Changes in Existing Decommissioning, Restoration and Similar Liabilities”.

Provisions for site restoration costs are capitalised within property, plant and equipment.

Employee Benefits

Social and Pension Contributions

Defined contributions are made by the Group to the Russian and Ukrainian state pension, social insurance and medical insurance funds at the statutory rates in force based on gross salary payments. The Group has no legal or constructive obligation to pay further contributions in respect of those benefits. Its only obligation is to pay contributions as they fall due. These contributions are expensed as incurred.

Defined Benefit Plans

The Group companies provide pensions and other benefits to their employees (Note 23). The entitlement to these benefits is usually conditional on the completion of a minimum service period. Certain benefit plans require the employee to remain in service up to retirement age. Other employee benefits consist of various compensations and non-monetary benefits. The amounts of benefits are stipulated in the collective bargaining agreements and/or in the plan documents.

The Group involves independent qualified actuaries in the measurement of employee benefit obligations.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses on post-employment benefit obligations, the effect of the asset ceiling, and the return on plan assets (excluding amounts included in interest income), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. It is recorded within interest expense in the consolidated statement of operations.

The Group recognises current service costs, past-service costs, gains and losses on curtailments and non-routine settlements in the consolidated statement of operations within “cost of sales”, “general and administrative expenses” and “selling and distribution expenses”.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee Benefits (continued)

Other Costs

The Group incurs employee costs related to the provision of benefits such as health services, kindergartens and other services. These amounts principally represent an implicit cost of employment and, accordingly, have been charged to cost of sales.

Share-based Payments

The Group has management compensation schemes (Note 21), under which certain senior executives and employees of the Group receive remuneration in the form of share-based payment transactions, whereby they render services as consideration for equity instruments (“equity-settled transactions”).

The cost of equity-settled transactions with grantees is measured by reference to the fair value of the Company’s shares at the date on which they are granted. The fair value is determined using the Black-Scholes-Merton model. In valuing equity-settled transactions, no account is taken of any conditions, other than market conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity (additional paid-in capital), over the period in which service conditions are fulfilled, ending on the date on which the relevant persons become fully entitled to the award (“the vesting date”). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit in the statement of operations for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards if EBITDA-related conditions are not satisfied or participants lose the entitlement for the shares due to the termination of their employment. Accumulated share-based expense is adjusted to reflect the number of share options that eventually vest. For market-related performance conditions, such as TSR (Note 21), if the conditions are not met and the share options do not vest, then no reversal is made for the share-based expense previously recognised.

The TSR-related vesting condition of Incentive Plans adopted in 2017, 2018, 2019 and 2020 was considered by the Group as a market condition. As such, it was included in the estimation of the fair value of the granted shares and will not be subsequently revised. Vesting condition related to EBITDA was not taken into account when estimating the fair value of the share options at the grant date. Instead, this will be taken into account by adjusting the share-based expense based on the number of share options that eventually vest.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The dilutive effect of outstanding share-based awards is reflected as additional share dilution in the computation of earnings per share (Note 20).

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods

The Group recognises revenues from sales of goods at the point in time when control of the asset is transferred to the customer and it is probable that the amount of consideration is collectible. The moment of transfer of control is determined by the contract terms and usually occurs at the date of shipment.

Some contracts with customers provide a right of return, trade discounts or volume rebates. The Group recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of the estimated returns and price concessions, trade discounts and volume rebates. The variable consideration is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Group enters into contracts with its customers, under which the Group provides transportation and handling services using third party providers (i.e. the Group selects suitable firms and manages the shipment and delivery). These services are provided to the customers before, or after, they obtain control over the goods. The cost of services is included in the contract price. Under IFRS 15, transportation and handling services rendered by the Group before control over the goods is transferred to the customers do not represent a separate performance obligation. Therefore, the Group recognises these services at the moment when control over the goods is passed to the customers. With respect to the contracts when the Group provides transportation and handling services after obtaining control over the goods by the customers, the Group concluded that these services represent a separate performance obligation and the Group acts as a principal rather than an agent. Consequently, the control over its services is transferred over time. Transportation and handling services rendered by the Group in contracts, in which it acts as a principal, are presented within the caption "Sales of goods" in the consolidated statement of operations.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue (continued)

Rendering of Services

The Group’s revenues from rendering of services include electricity, transportation and other services. The pattern of revenue recognition reflects the transfer of services to customers and may occur at a point in time or over time.

Advances from Customers

The Group receives only short-term advances from its customers. The Group uses the practical expedient provided in IFRS 15, which allows not to adjust the promised amount of consideration for the effects of a significant financing component in the contracts where the Group expects, at contract inception, that the period between the Group’s transfer of a promised good or service to a customer and when the customer pays for that good or service will be one year or less. Therefore, for short-term advances, the Group does not account for a financing component even if it is significant.

Interest

Interest is recognised using the effective interest method.

Dividends

Dividend income is recognised when the shareholders’ right to receive the payment is established.

Rental Income

Rental income is accounted for on a straight-line basis over the lease term on ongoing leases.

Government Grants

Government grants are recognised at their fair value, when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Grants related to non-monetary assets are presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset and are recognised as a deduction from depreciation expense over the life of the asset. Government grants related to costs are deducted from the relevant expenses to be compensated in the same period.

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Current income tax relating to items recognised outside profit or loss is recognised in other comprehensive income or equity and not in the statement of operations.

Deferred Income Tax

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Various factors are considered to assess the probability of the future utilisation of deferred tax assets, including past operating results, operational plans, expiration of tax losses carried forward, tax legislation and tax planning strategies.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

3. SEGMENT INFORMATION

For management purposes the Group has four reportable operating segments:

- Steel segment includes production of steel and related products at all mills except for those located in North America. Extraction of vanadium ore and production of vanadium products, iron ore mining and enrichment and certain energy-generating companies are also included in this segment as they are closely related to the main process of steel production.
- Steel, North America is a segment, which includes production of steel and related products in the USA and Canada.
- Coal segment includes coal mining and enrichment.
- Other operations include energy-generating companies, shipping and railway transportation companies.

Management and investment companies are not allocated to any of the segments. Operating segments have been aggregated into reportable segments if they show a similar long-term economic performance, have comparable production processes, customer industries and distribution channels, operate in the same regulatory environment, and are generally managed and monitored together.

Transfer prices between operating segments are on an arm’s length basis in a manner similar to transactions with third parties.

Management monitors the results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on EBITDA. This performance indicator is calculated based on management accounts and differs from the IFRS consolidated financial statements for the following reasons:

- for the last month of the reporting period management accounts are prepared using a forecast for that month;
- certain unallocated costs are treated as segment expenses in management accounts.

Before 2020 there were additional differences between the IFRS indicators and the figures of management accounts, such as non-consolidation of certain subsidiaries in management accounts, use of the adjusted local GAAP figures and simplified methods of translation into presentation currency.

Segment revenue is revenue reported in the Group's statement of operations that is directly attributable to a segment and the relevant portion of the Group's revenue that can be allocated to it on a reasonable basis, whether from sales to external customers or from transactions with other segments.

Segment expense is expense resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of an expense that can be allocated to it on a reasonable basis, including expenses relating to external counterparties and expenses relating to transactions with other segments. Segment expense does not include social and social infrastructure maintenance expenses.

Segment result is segment revenue less segment expense that is equal to earnings before interest, tax, depreciation and amortisation (“EBITDA”) for that segment.

Segment EBITDA is determined as a segment’s profit/(loss) from operations adjusted for social and social infrastructure maintenance expenses, impairment of assets, profit/(loss) on disposal of property, plant and equipment and intangible assets, foreign exchange gains/(losses) and depreciation, depletion and amortisation expense. Management believes that this measure is useful and relevant for the users and gives a better comparison with the Russian steel peers.

3. SEGMENT INFORMATION (CONTINUED)

The following tables present measures of segment profit or loss based on management accounts.

Year ended 31 December 2020

US\$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue						
Sales to external customers	\$6,902	\$ 1,779	\$952	\$ 121	\$ –	\$ 9,754
Inter-segment sales	67	–	538	289	(894)	–
Total revenue	6,969	1,779	1,490	410	(894)	9,754
Segment result – EBITDA	\$ 1,888	\$ (22)	\$ 396	\$ 17	\$ 20	\$ 2,299

Year ended 31 December 2019

US\$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue						
Sales to external customers	\$ 7,903	\$ 2,517	\$ 1,273	\$ 186	\$ –	\$ 11,879
Inter-segment sales	175	–	735	303	(1,213)	–
Total revenue	8,078	2,517	2,008	489	(1,213)	11,879
Segment result – EBITDA	\$ 1,668	\$ 38	\$ 883	\$ 19	\$ 32	\$ 2,640

Year ended 31 December 2018

US\$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue						
Sales to external customers	\$ 8,373	\$ 2,593	\$ 1,533	\$ 214	\$ –	\$ 12,713
Inter-segment sales	343	–	1,322	279	(1,944)	–
Total revenue	8,716	2,593	2,855	493	(1,944)	12,713
Segment result – EBITDA	\$ 2,701	\$ 18	\$ 1,180	\$ 17	\$ (14)	\$ 3,902

In 2020, chief operating decision makers ceased to review the amounts of revenue reported by management accounts. Instead of them, the revenue based on IFRS is used for performance analysis. The comparative information has not been restated since it contains currently used IFRS measures.

3. SEGMENT INFORMATION (CONTINUED)

The following table shows a reconciliation of revenue and EBITDA used by management for decision making and revenue and profit or loss before tax per the consolidated financial statements prepared under IFRS.

Year ended 31 December 2020

US\$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue per IFRS financial statements	\$ 6,969	\$ 1,779	\$ 1,490	\$ 410	\$(894)	\$ 9,754
EBITDA	\$ 1,888	\$ (22)	\$ 396	\$ 17	\$ 20	\$ 2,299
Unrealised profits adjustment	(48)	(4)	–	–	1	(51)
Reclassifications and other adjustments	90	(2)	3	(2)	–	89
	42	(6)	3	(2)	1	38
EBITDA based on IFRS financial statements	\$ 1,930	\$ (28)	\$ 400	\$ 15	\$ 21	\$ 2,338
Unallocated subsidiaries						(126)
						\$ 2,212
Social and social infrastructure maintenance expenses	(24)	–	(2)	–	–	(26)
Depreciation, depletion and amortisation expense	(261)	(147)	(189)	(3)	–	(600)
Impairment of assets	(5)	(308)	3	–	–	(310)
Gain on disposal of property, plant and equipment and intangible assets	–	(3)	–	–	–	(3)
Foreign exchange gains/(losses), net	(55)	2	122	–	–	69
	\$ 1,585	\$ (484)	\$ 334	\$ 12	\$ 21	\$ 1,342
Unallocated income/(expenses), net						329
Profit/(loss) from operations						\$ 1,671
Interest income/(expense), net						(322)
Share of profits/(losses) of joint ventures and associates						2
Gain/(loss) on financial assets and liabilities						(71)
Gain/(loss) on disposal groups classified as held for sale						1
Other non-operating gains/(losses), net						14
Profit/(loss) before tax						\$ 1,295

3. SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2019

US\$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue	\$ 8,078	\$ 2,517	\$ 2,008	\$ 489	\$(1,213)	\$ 11,879
Reclassifications and other adjustments	65	(17)	13	(6)	(29)	26
Revenue per IFRS financial statements	\$ 8,143	\$ 2,500	\$ 2,021	\$ 483	\$(1,242)	\$ 11,905
EBITDA	\$ 1,668	\$ 38	\$ 883	\$ 19	\$ 32	\$ 2,640
Unrealised profits adjustment	81	–	41	–	17	139
Reclassifications and other adjustments	46	–	(81)	(1)	(1)	(37)
	127	–	(40)	(1)	16	102
EBITDA based on IFRS financial statements	\$ 1,795	\$ 38	\$ 843	\$ 18	\$ 48	\$ 2,742
Unallocated subsidiaries						(141)
						\$ 2,601
Social and social infrastructure maintenance expenses	(17)	–	(3)	–	–	(20)
Depreciation, depletion and amortisation expense	(254)	(147)	(168)	(4)	–	(573)
Impairment of assets	(26)	(309)	(107)	–	–	(442)
Gain on disposal of property, plant and equipment and intangible assets	1	4	(3)	–	–	2
Foreign exchange gains/(losses), net	(10)	46	(30)	10	–	16
	\$ 1,489	\$ (368)	\$ 532	\$ 24	\$ 48	\$ 1,584
Unallocated income/(expenses), net						(367)
Profit/(loss) from operations						\$ 1,217
Interest income/(expense), net						(328)
Share of profits/(losses) of joint ventures and associates						9
Impairment of non-current financial assets						(56)
Gain/(loss) on financial assets and liabilities						17
Gain/(loss) on disposal groups classified as held for sale						29
Other non-operating gains/(losses), net						14
Profit/(loss) before tax						\$ 902

3. SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2018

US\$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue	\$ 8,716	\$ 2,593	\$ 2,855	\$ 493	\$(1,944)	\$12,713
Reclassifications and other adjustments	163	(10)	(518)	(21)	509	123
Revenue per IFRS financial statements	\$ 8,879	\$ 2,583	\$ 2,337	\$ 472	\$(1,435)	\$12,836
EBITDA	\$ 2,701	\$ 18	\$ 1,180	\$ 17	\$ (14)	\$ 3,902
Unrealised profits adjustment	(46)	–	(25)	–	4	(67)
Reclassifications and other adjustments	17	(4)	63	–	1	77
	(29)	(4)	38	–	5	10
EBITDA based on IFRS financial statements	\$ 2,672	\$ 14	\$ 1,218	\$ 17	\$ (9)	\$ 3,912
Unallocated subsidiaries						(135)
						\$ 3,777
Social and social infrastructure maintenance expenses	(25)	–	(2)	–	–	(27)
Depreciation, depletion and amortisation expense	(239)	(137)	(158)	(3)	–	(537)
Impairment of assets	(18)	(2)	(10)	–	–	(30)
Loss on disposal of property, plant and equipment and intangible assets	(3)	(2)	(6)	–	–	(11)
Foreign exchange gains/(losses), net	31	(72)	30	(2)	–	(13)
	\$ 2,418	\$ (199)	\$ 1,072	\$ 12	\$ (9)	\$ 3,159
Unallocated income/(expenses), net						369
Profit/(loss) from operations						\$ 3,528
Interest income/(expense), net						(341)
Share of profits/(losses) of joint ventures and associates						9
Gain/(loss) on financial assets and liabilities						13
Gain/(loss) on disposal groups classified as held for sale						(10)
Other non-operating gains/(losses), net						2
Profit/(loss) before tax						\$ 3,201

3. SEGMENT INFORMATION (CONTINUED)

The revenues from contracts with external customers for each group of similar products and services and rental income are presented in the following table:

US\$ million	2020	2019	2018
Steel			
Construction products	\$ 2,013	\$ 2,166	\$ 2,280
Flat-rolled products	146	386	415
Railway products	1,099	1,181	965
Semi-finished products	2,479	2,528	2,521
Other steel products	342	377	399
Other products	257	365	545
Iron ore	146	190	158
Vanadium in slag	64	109	228
Vanadium in alloys and chemicals	285	539	922
Rendering of services	71	103	71
	6,902	7,944	8,504
Steel, North America			
Construction products	183	200	247
Flat-rolled products	323	518	597
Railway products	326	405	380
Tubular products	743	1,128	1,167
Other products	170	211	168
Rendering of services	34	38	24
	1,779	2,500	2,583
Coal			
Coal	929	1,251	1,506
Other products	9	15	27
Rendering of services	14	21	25
	952	1,287	1,558
Other operations			
Rendering of services	121	174	191
	121	174	191
	\$ 9,754	\$ 11,905	\$ 12,836
Revenue from rendering of services included rental income, which was mainly attributable to the subsidiaries of the steel segment.			
US\$ million	2020	2019	2018
Revenues from contracts with customers	\$ 9,729	\$ 11,873	\$ 12,822
Rental income	25	32	14
	\$ 9,754	\$ 11,905	\$ 12,836

3. SEGMENT INFORMATION (CONTINUED)

Distribution of the Group’s revenues by geographical area based on the location of customers for the years ended 31 December was as follows:

US\$ million	2020	2019	2018
CIS			
Russia	\$ 3,722	\$ 4,373	\$ 4,564
Kazakhstan	279	297	237
Ukraine	80	291	480
Uzbekistan	63	81	32
Belarus	58	71	72
Kyrgyzstan	46	49	50
Others	58	76	65
	4,306	5,238	5,500
America			
USA	1,060	1,701	2,226
Canada	735	847	537
Mexico	61	119	154
Others	59	42	92
	1,915	2,709	3,009
Asia			
China	1,052	478	114
Taiwan	525	680	433
Philippines	338	387	631
Indonesia	271	244	346
Republic of Korea	255	282	409
Japan	106	243	186
United Arab Emirates	95	124	5
Mongolia	77	61	58
Thailand	69	247	225
Vietnam	64	57	35
India	40	42	60
Singapore	12	5	133
Others	45	43	81
	2,949	2,893	2,716
Europe			
European Union	314	767	1,146
Turkey	135	166	254
Others	12	23	26
	461	956	1,426
Africa			
Kenya	87	63	77
Egypt	5	27	86
Others	30	17	16
	122	107	179
Other countries			
	1	2	6
	\$ 9,754	\$11,905	\$ 12,836

None of the Group’s customers amounts to 10% or more of the consolidated revenues.

3. SEGMENT INFORMATION (CONTINUED)

Non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets were located in the following countries at 31 December:

US\$ million	2020	2019	2018
Russia	\$ 3,500	\$ 3,967	\$ 3,258
Canada	643	981	1,221
USA	818	827	791
Kazakhstan	32	38	41
Czech Republic	37	35	35
Italy	-	-	41
Other countries	3	3	3
	\$ 5,033	\$ 5,851	\$ 5,390

4. CHANGES IN THE COMPOSITION OF THE GROUP

Purchase of Non-controlling Interests

Raspadskaya

In 2020, the Group acquired an additional 2.73% ownership interest in Raspadskaya, a subsidiary of the Group, for cash consideration of \$27 million. The excess of the carrying values of non-controlling interests acquired over consideration amounting to \$7 million was credited to additional paid-in capital.

In 2019, the Group acquired an additional 1.8% ownership interest in Raspadskaya for cash consideration of \$25 million. The excess of consideration over the carrying values of non-controlling interests acquired amounting to \$3 million was charged to accumulated profits.

In addition, in June 2019 Raspadskaya purchased its own shares in course of the tender offer for cash consideration of \$46 million. The Group derecognised 2.53% of non-controlling interests and charged to accumulated profits \$7 million representing the excess of consideration over the carrying values of non-controlling interests acquired.

In the course of the closed subscription in September 2019 Raspadskaya issued 80,285 new shares, and Evraz Group S.A. acquired 80,284 shares, thus increasing the Group's stake in the subsidiary by 0.0014%.

In 2018, the Group acquired an additional 1.89% ownership interest in Raspadskaya for cash consideration of \$24 million. The excess of consideration over the carrying values of non-controlling interests acquired amounting to \$3 million was charged to accumulated profits.

Mezhegeyugol

On 14 March 2017, the Group signed an option agreement with a non-controlling shareholder in respect of shares of Mezhegeyugol, a coal mining subsidiary of the Group. Under the agreement, the non-controlling shareholder had the right to sell to the Group (the put option) all its shares in Mezhegeyugol (39.9841%) for \$39 million and to settle the loan payable to the Group for \$25 million. As a result, the Group would hold 100% ownership interest in the subsidiary. The option could be exercised from 1 December 2019 to 1 December 2020.

In 2017, the Group determined that the terms of the option agreement give the Group the rights to the beneficial interests in Mezhegeyugol and derecognised the non-controlling interests in full and recognised a liability under the put option in the amount of \$60 million. From March 2017 and until the put option exercise the Group accrued \$9 million interest on this liability (\$1 million, \$3 million and \$4 million in 2020, 2019 and 2018, respectively).

In June 2020, the non-controlling shareholder sold its interest to the Group. The consideration for the purchased non-controlling interest comprised of a non-cash settlement of a loan owed to the Group with a carrying value of \$30 million, which approximated the fair value, and \$39 million of cash consideration.

Change in Non-controlling Interests due to Reorganisation

In 2020, EVRAZ plc decided to reorganise its business structure combining all coal operations in one group headed by Raspadskaya.

On 30 December 2020, Nizhny Tagil Metallurgical Plant, a wholly-owned subsidiary of the Group, sold its 100% ownership interest in Yuzhkuzbassugol (which is in turn the parent entity of Mezhegeyugol) to Raspadskaya for cash consideration of RUB 67,741 million (\$920 million at the date of the transaction). As a result, the Group’s interest in Yuzhkuzbassugol was diluted from 100% to 90.90%. The carrying value of non-controlling interests decreased by \$45 million, being the share of non-controlling shareholders in the excess of cost of acquisition of Yuzhkuzbassugol over its consolidated net assets, with a corresponding increase in the Group’s accumulated profits through the consolidated statement of changes in equity.

4. CHANGES IN THE COMPOSITION OF THE GROUP (CONTINUED)

Put Option for the Shares of Raspadskaya

In the course of the Group's business and ownership structure reorganisation, as described above in *Change in Non-controlling Interests due to Reorganisation*, Raspadskaya followed the Russian legislation, which, in particular, required the approval of the potential acquisition of Yuzhkuzbassugol by the majority of the voted non-controlling shareholders of Raspadskaya. The non-controlling shareholders who voted against or did not vote have the right to sell their stakes to Raspadskaya at a price being the fair value determined by an independent appraiser (RUB 164 per share). At the same time the liability for the share repurchase is limited to 10% of net assets of JSC Raspadskaya, thus, the number of shares to be repurchased is proportionately reduced if all potential shareholders cannot be satisfied.

Consequently, the Group derecognised the non-controlling interests relating to the shareholders, which have a put option over their holding (4.25% of the total shares of Raspadskaya), with the carrying value of \$30 million, and recognised a \$65 million liability to these shareholders at fair value. The difference between the amount of the recognised liability and the carrying value of the derecognised non-controlling interests was charged to accumulated profits.

On 1 February 2021, Raspadskaya completed the collection of the share repurchase requests from eligible non-controlling shareholders. The actual number of shares to be repurchased amounted to 2.51% of Raspadskaya's share capital, which is equal to a \$38 million liability. On expiry of the put option the difference with the liability originally recognised was reversed through equity with a corresponding increase of the non-controlling interests of \$27 million in relation to those shareholders who did not exercise the option.

Sale of Subsidiaries

In 2019, the Group sold EVRAZ Stratcor Inc, EVRAZ Palini e Bertoli, and Evraztrans-Ukraine. In 2018, the Group sold Dneprovsk Metallurgical Plant. Further details of these transactions are disclosed in Note 12.

5. GOODWILL

Goodwill relates to the assembled workforce and synergy from integration of the acquired subsidiaries into the Group. The table below presents movements in the carrying amount of goodwill.

<i>US\$ million</i>	Gross amount	Impairment losses	Carrying amount
At 31 December 2017	\$ 2,403	\$ (1,486)	\$ 917
Sale of subsidiaries (Note 12)	(112)	112	-
Translation difference	(70)	17	(53)
At 31 December 2018	\$ 2,221	\$ (1,357)	\$ 864
Sale of subsidiaries (Note 12)	(63)	63	-
Impairment of Large diameter pipes	-	(300)	(300)
Translation difference	34	(4)	30
At 31 December 2019	\$ 2,192	\$ (1,598)	\$ 594
Impairment			
<i>Large diameter pipes</i>	-	(65)	(65)
<i>Oil Country Tubular Goods</i>	-	(67)	(67)
Translation difference	7	(12)	(5)
At 31 December 2020	\$ 2,199	\$ (1,742)	\$ 457

The carrying amount of goodwill was allocated among cash-generating units as follows at 31 December:

<i>US\$ million</i>	2020	2019	2018
EVRAZ Inc. NA/EVRAZ Inc. NA Canada	\$ 392	\$ 525	\$ 799
<i>Large diameter pipes</i>	-	68	349
<i>Oil Country Tubular Goods</i>	76	141	134
<i>Long products</i>	316	316	316
EVRAZ Vanady-Tula	27	32	29
EVRAZ Nikom, a.s.	35	33	33
Others	3	4	3
	\$ 457	\$ 594	\$ 864

6. IMPAIRMENT OF NON-FINANCIAL ASSETS

A summary of impairment losses recognition and reversals relating to non-financial assets is presented below.

Year ended 31 December 2020

<i>US\$ million</i>	Goodwill and intangible assets	Property, plant and equipment	Total
EVRAZ Inc. NA Canada	\$ (148)	\$ (153)	\$ (301)
EVRAZ Inc. NA	-	(7)	(7)
Others, net	-	(2)	(2)
	\$ (148)	\$ (162)	\$ (310)
Recognised in profit or loss	(148)	(162)	(310)

Year ended 31 December 2019

<i>US\$ million</i>	Goodwill and intangible assets	Property, plant and equipment	Total
EVRAZ Inc. NA Canada	\$ (300)	\$ (1)	\$ (301)
Raspadskaya		(92)	(92)
EVRAZ Consolidated West-Siberian Metallurgical Plant	-	(18)	(18)
Yuzhkuzbassugol	-	(15)	(15)
EVRAZ Nizhny Tagil Metallurgical Plant	-	(11)	(11)
EVRAZ Inc. NA	-	(8)	(8)
Others, net	-	3	3
	\$ (300)	\$ (142)	\$ (442)
Recognised in profit or loss	(300)	(142)	(442)

Year ended 31 December 2018

<i>US\$ million</i>	Goodwill and intangible assets	Property, plant and equipment	Total
EVRAZ Stratcor Inc.	\$ -	\$ (12)	\$ (12)
Yuzhkuzbassugol	-	(6)	(6)
Evrazruda	-	(4)	(4)
Others, net	-	(8)	(8)
	\$ -	\$ (30)	\$ (30)
Recognised in profit or loss	-	(30)	(30)

In 2018-2020, the Group made a write-off of certain functionally obsolete items of property, plant and equipment. In 2019, the Group decided to postpone reopening of a coal mine MUK-96, a subsidiary of Raspadskaya. In connection with this decision the recoverable amount of mining assets relating to this mine (\$84 million) was reassessed and fully impaired.

In addition, the Group recognised impairment losses as a result of impairment testing at the level of cash-generating units. For the purpose of the impairment testing the Group assessed the recoverable amount of each cash-generating unit to which goodwill was allocated or where indicators of impairment were identified. In 2018-2020, the impairment tests were performed as of 30 September, the conclusions were reassessed at 31 December and no further impairment triggers were identified.

The recoverable amounts for all cash-generating units, except for Large diameter pipes in 2019, have been determined based on the calculation of value-in-use. This valuation technique uses cash flow projections based on the actual operating results and business plans approved by management and appropriate discount rates reflecting the time value of money and risks associated with respective cash-generating units. For the periods not covered by management business plans, terminal value is used. The terminal value is calculated based on the cash flow projections by extrapolating the results of the respective business plans using a zero real growth rate.

In 2019, the recoverable amount of Large diameter pipes was determined based on the calculation of fair value less costs of disposal as it was deemed to produce a more reliable result. This valuation method was based on unobservable inputs (discounted cash flows), which represent Level 3 of the fair value hierarchy.

6. IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUED)

The key assumptions used by management in the impairment tests with respect to the cash-generating units to which the goodwill was allocated or units containing intangible assets with indefinite useful lives are presented in the table below.

	Commodity	Period of forecast, years		Pre-tax discount rate, %		Average price of commodity per tonne in the next reporting year		Recoverable amount of CGU at 30 September, US\$ million		Carrying amount of CGU before impairment at 30 September*, US\$ million		
		2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	
Steel North America												
	Large diameter pipes	steel products	5	5	9.58	9.32	\$1,373	\$ 1,112	312	567	546	867
	Oil Country Tubular Goods	steel products	5	5	10.17	9.65	\$1,121	\$ 1,127	279	464	346	356
	Long products	steel products	5	5	10.05	9.90	\$799	\$ 720	865	623	553	528
		vanadium products	5	5	12.22	12.55	\$17,548	\$ 21,452	575	712	48	55
EVRAZ Vanady-Tula		ferrovanadium products	5	5	13.71	10.48	\$18,569	\$ 21,371	39	56	34	35
EVRAZ Nikom, a.s.												

* Carrying amounts represent the sum of net book values of property, plant and equipment, intangible assets and goodwill recorded in the balance sheets at 30 September excluding an impairment recognised in the 1st half of the reporting year.

In addition, the Group determined that there were indicators of impairment in other cash generating units, which do not contain goodwill or intangible assets with indefinite useful lives, and tested them for impairment using the following assumptions.

		Period of forecast, years	Pre-tax discount rate, %	Commodity	Average price of commodity per tonne in the next reporting year
Raspadskaya		5	10.34	coking coal	\$ 55
Steel North America					
<i>Flat-rolled products</i>		5	11.48	steel products	\$ 785
<i>Seamless pipes</i>		5	12.04	steel products	\$ 1,139

The impairment test models take into account the impact of Section 232 tariffs imposed on imports to the US and anti-dumping duties imposed by the US against Canada on large-diameter pipes (Note 30). The effect of the anti-dumping duties is expected to last until 2024 when it will be subject to a five-year (sunset) review by the US Department of Commerce. The Section 232 tariffs are expected to last until 2023.

As a result of impairment testing, in 2020, the Group recognised a \$234 million impairment loss with respect to the Large diameter pipes cash-generating unit, which was allocated to goodwill (\$65 million), intangible assets (\$16 million) and property, plant and equipment (\$153 million) and a \$67 million impairment loss with respect to the Oil Country Tubular Goods cash-generating unit, which was allocated to goodwill. The impairment was caused by the reassessment of demand on the steel, oil and commodities markets in the USA and Canada. The value-in-use models are based on the expectation that the demand will partially recover in 2022.

In 2019, the Group recognised a \$300 million impairment loss with respect to goodwill allocated to the Large diameter pipes cash-generating unit. The impairment was caused by the use of a more conservative valuation model due to the increased current market volatility.

The estimations of recoverable amounts are most sensitive to the following assumptions:

Discount Rates

Discount rates reflect the current market assessment of the risks specific to each cash-generating unit. The discount rates have been determined using the Capital Asset Pricing Model and analysis of industry peers. Reasonably possible changes in discount rates could lead to an additional impairment at Large diameter pipes, Oil Country Tubular Goods, Seamless pipes and Nikom. If discount rates were 10% higher, this would lead to an additional impairment of \$81 million.

Sales and Purchases Prices

The price assumptions for the products sold and purchased by the Group were estimated based on industry research using analysts’ views published by BCS, Citi, CRU, Fitch Solutions, Goldman Sachs, J.P. Morgan, Morgan Stanley, Renaissance Capital, Sberbank during the period from July to November 2020. The Group expects that the nominal prices will fluctuate with a compound annual growth rate of (6.4)-6.4% in 2021 – 2025 and 2% in 2026 and thereafter. Reasonably possible changes in sales and purchases prices could lead to an additional impairment at Large diameter pipes, Oil Country Tubular Goods and Seamless pipes. If the prices assumed for 2021 and 2022 in the impairment test were 10% lower, this would lead to an additional impairment of \$100 million.

6. IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUED)

Sales Volumes

Management assumed that the sales volumes of steel products in 2021 will change by (12)%-3% and future dynamics will be driven by a gradual market recovery and removal of anti-dumping duties allowing the Group to utilise assets’ capacities to a greater extent. Reasonably possible changes in sales volumes could lead to an additional impairment at Large diameter pipes and Oil Country Tubular Goods. If the sales volumes were 10% lower than those assumed for 2021 and 2022 in the impairment test, this would lead to an additional impairment of \$18 million.

Cost Control Measures

The recoverable amounts of cash-generating units are based on the business plans approved by management. A reasonably possible deviation in cost from these plans could lead to an additional impairment at Large diameter pipes, Oil Country Tubular Goods, Seamless pipes, Flat-rolled products and Nikom. If the actual costs were 10% higher than those assumed for 2021 and 2022 in the impairment test, this would lead to an additional impairment of \$134 million.

The impact of reasonably possible changes in assumptions is summarised in the table below.

US\$ million	Discount rates	Sales prices	Sales volumes	Cost control measures
Nikom	\$ (2)	–	–	\$ (12)
Steel North America				
Large diameter pipes	(39)	(66)	(16)	(75)
Oil Country Tubular Goods	(29)	(28)	(2)	(34)
Flat-rolled products	–	–	–	(4)
Seamless pipes	(11)	(6)	–	(9)
	\$ (81)	\$ (100)	\$ (18)	\$ (134)

Sensitivity Analysis

For the cash-generating units, which were not impaired in the reporting period and for which the reasonably possible changes could lead to impairment, the recoverable amounts would become equal to their carrying amounts if the assumptions used to measure the recoverable amounts changed by the following percentages:

	Discount rates	Sales prices	Sales volumes	Cost control measures
Nikom	6.7%	–	–	3.0%
Steel North America				
Flat-rolled products	–	–	–	9.5%
Seamless pipes	1.2%	(2.0)%	–	1.5%

7. INCOME AND EXPENSES

Cost of revenues, selling and distribution costs, general and administrative expenses include the following for the years ended 31 December:

US\$ million	2020	2019	2018
Cost of inventories recognised as expense	\$ (3,495)	\$ (4,595)	\$ (4,580)
Staff costs, including social security taxes	(1,331)	(1,464)	(1,326)
Depreciation, depletion and amortisation	(605)	(578)	(542)

In 2020, 2019 and 2018, the Group recognised expense on allowance for net realisable value in the amount of \$(2) million, \$(4) million and \$Nil, respectively.

Staff costs include the following:

US\$ million	2020	2019	2018
Wages and salaries	\$ 958	\$ 1,047	\$ 968
Social security costs	257	274	245
Net benefit expense	37	41	38
Share-based awards	11	13	15
Other compensations	68	89	60
	\$ 1,331	\$ 1,464	\$ 1,326

7. INCOME AND EXPENSES (CONTINUED)

The average number of staff employed under contracts of service was as follows:

	2020	2019	2018
Steel	45,332	44,512	45,282
Steel, North America	3,199	4,295	3,877
Coal	15,440	14,655	13,505
Other operations	837	927	882
Unallocated	2,531	2,345	2,344
	67,339	66,734	65,890

The major components of other operating expenses were as follows:

US\$ million	2020	2019	2018
Stoppage of production, including termination benefits	\$ (37)	\$ (20)	\$ (17)
Restoration works and casualty compensations in connection with accidents	(2)	(3)	(3)
Other	(26)	(31)	(35)
	\$ (65)	\$ (54)	\$ (55)

Interest expense consisted of the following for the years ended 31 December:

US\$ million	2020	2019	2018
Bank interest	\$ (63)	\$ (60)	\$ (74)
Interest on bonds and notes	(228)	(231)	(248)
Interest on lease liabilities (Note 25)	(6)	(8)	-
Net interest expense on employee benefits obligations (Note 23)	(11)	(13)	(13)
Discount adjustment on provisions (Note 24)	(17)	(18)	(16)
Other	(3)	(6)	(8)
	\$ (328)	\$ (336)	\$ (359)

Interest income consisted of the following for the years ended 31 December:

US\$ million	2020	2019	2018
Interest on bank accounts and deposits	\$ 5	\$ 7	\$ 9
Interest on loans and accounts receivable	-	1	7
Other	1	-	2
	\$ 6	\$ 8	\$ 18

Gain/(loss) on financial assets and liabilities included the following for the years ended 31 December:

US\$ million	2020	2019	2018
Gain/(loss) on extinguishment of debts (Notes 22, 25)	\$ 2	\$ (27)	\$ (1)
Gain/(loss) on derivatives not designated as hedging instruments (Note 25)	(69)	38	3
Realised gain/(loss) on hedging instruments (Note 25)	-	(23)	11
Net gains/(losses) on cash flow hedges recycled to profit or loss	-	33	-
Other	(4)	(4)	-
	\$ (71)	\$ 17	\$ 13

In 2020, the Group's costs relating to the COVID-19 pandemic included contributions to funds and hospitals, payments to employees during sick leave, laboratory testing, purchase of medical supplies and equipment. These costs in the total amount of \$25 million were recorded in Cost of revenue, General and administrative expenses, Social expenses, Other operating expenses. Also in 2020 the Canadian subsidiaries received \$19 million of the Canada Emergency Wage Subsidy. This income-related government grant reduced the amounts of staff costs and the related expense captions of the consolidated statement of operations.

Operating costs incurred during production stoppages for an extended period of time, such as preparatory works for stoppage of workshops, maintenance expenses relating to the idle assets, termination benefits for the dismissed employees or compensations to those who were on temporary leave, have been classified as "stoppage of production" costs within other operating expenses.

8. INCOME TAXES

The Group's income was subject to tax at the following tax rates:

	2020	2019	2018
	20.00%	20.00%	20.00%
Russia	and 16.50%	and 16.50%	and 16.50%
Canada	25.09%	26.08%	26.32%
Cyprus	12.50%	12.50%	12.50%
Czech Republic	19.00%	19.00%	19.00%
Italy	-	27.90%	27.90%
Switzerland	9.10%	9.62%	9.18%
Ukraine	-	18.00%	18.00%
United Kingdom	19.00%	19.00%	19.00%
USA	24.57%	24.87%	24.69%

In 2018, EVRAZ Nizhny Tagil Metallurgical Plant completed capital construction works, which make it eligible for investment tax credit from the regional government. Income tax rate was reduced from 20% to 16.5% for a period from 2018 to 2022. The Group determined that the investment tax credit is in the scope of IAS 12 "Income taxes". As a result, in 2020, 2019 and 2018, EVRAZ Nizhny Tagil Metallurgical Plant and other subsidiaries included in the group of consolidated taxpayers received a current income tax benefit amounting to \$28 million, \$33 million and \$37 million, respectively.

Major components of income tax expense for the years ended 31 December were as follows:

US\$ million	2020	2019	2018
Current income tax expense	\$ (575)	\$ (540)	\$ (679)
Adjustment in respect of income tax of previous years	(4)	8	(4)
Deferred income tax benefit/(expense) relating to origination and reversal of temporary differences	144	(6)	(54)
Deferred income tax recognised directly in other comprehensive income	(2)	1	6
Income tax (expense)/benefit reported in the consolidated statement of operations	\$ (437)	\$ (537)	\$ (731)

The major part of income taxes is paid in the Russian Federation. A reconciliation of income tax expense applicable to profit before income tax using the Russian statutory tax rate to income tax expense as reported in the Group's consolidated financial statements for the years ended 31 December is as follows:

US\$ million	2020	2019	2018
Profit/(loss) before income tax	\$ 1,295	\$ 902	\$ 3,201
At the Russian statutory income tax rate of 20%	(259)	(180)	(640)
Adjustment in respect of income tax of previous years	(4)	8	(4)
Current income tax benefit from investment tax credit	28	33	37
Other tax credits recognised/(utilised)	16	-	-
Current tax on dividends distributed by the Group's subsidiaries	(213)	(178)	(53)
Change in deferred tax on undistributed earnings of the Group's subsidiaries	8	(19)	(35)
Effect of non-deductible expenses and other non-temporary differences	(95)	(96)	(37)
Unrecognised temporary differences recognition/reversal	70	(130)	(58)
Effect of the difference in tax rates in countries other than the Russian Federation	12	23	57
Share of profits in joint ventures and associates	-	2	2
Income tax (expense)/benefit reported in the consolidated statement of operations	\$ (437)	\$ (537)	\$ (731)

As of 31 December 2020, the Group accrued deferred income taxes in respect of undistributed earnings of the Group's subsidiaries in the amount of \$46 million (2019: \$54 million, 2018: \$35 million). The current tax rate on intra-group dividend income varies from 0% to 15%. The temporary differences associated with investments in subsidiaries were not recognised as the Group is able to control the timing of the reversal of these temporary differences and does not intend to reverse them in the foreseeable future. At 31 December 2020, the aggregate amount of such temporary differences, for which deferred tax liabilities have not been recognised, amounted to \$63 million (2019: \$59 million, 2018: \$101 million).

8. INCOME TAXES (CONTINUED)

In the context of the Group’s current structure, tax losses and current tax assets of the different companies may not be set off against current tax liabilities and taxable profits of other companies in the same jurisdiction, except for the companies registered in Cyprus, Russia, the USA and the United Kingdom where group relief and tax consolidation can be applied. As of 31 December 2020, the unused tax losses carried forward approximated \$10,503 million (2019: \$8,620 million, 2018: \$9,321 million). The Group recognised deferred tax assets of \$275 million (2019: \$234 million, 2018: \$199 million) in respect of unused tax losses. This includes \$172 million (2019: 141 million, 2018: \$124 million) in respect of unused tax losses in Canada which expire after 20 years if not utilised. Deferred tax assets in the amount of \$2,244 million (2019: \$1,878 million, 2018: \$2,287 million) have not been recorded as it is not probable that sufficient taxable profits will be available in the foreseeable future to offset these losses. Tax losses of \$9,071 million (2019: \$7,592 million, 2018: \$8,492 million) for which deferred tax assets were not recognised arose in companies registered in Canada, Cyprus, Italy, Kazakhstan, Luxembourg, Russia, Ukraine, the United Kingdom and the USA. Losses in the amount of \$8,975 million (2019: \$7,499 million, 2018: \$8,399 million) are available indefinitely for offset against future taxable profits of the companies in which the losses arose and \$96 million will expire within 10 years (2019: \$93 million, 2018: \$93 million).

Deferred income tax assets and liabilities and their movements for the years ended 31 December were as follows:

Year ended 31 December 2020

<i>US\$ million</i>	2020	Change recognised in statement of operations	Change recognised in other comprehensive income	Change due to disposal of subsidiaries	Translation difference	Other movements	2019
Deferred income tax liabilities:							
Valuation and depreciation of property, plant and equipment	\$ 402	(57)	–	–	(60)	–	\$ 519
Valuation and amortisation of intangible assets	30	(12)	–	–	(1)	–	43
Other	96	(41)	–	–	(9)	–	146
	528	(110)	–	–	(70)	–	708
Deferred income tax assets:							
Tax losses available for offset	275	45	–	–	(4)	–	234
Accrued liabilities	115	(3)	2	–	(13)	–	129
Impairment of accounts receivable	4	(8)	–	–	(3)	–	15
Other	126	(2)	–	–	(2)	–	130
	520	32	2	–	(22)	–	508
Net deferred income tax asset	245	91	2	–	–	–	152
Net deferred income tax liability	\$ 253	(51)	–	–	(48)	–	\$ 352

Year ended 31 December 2019

<i>US\$ million</i>	2019	Change recognised in statement of operations	Change recognised in other comprehensive income	Change due to disposal of subsidiaries	Translation difference	Other movements	2018
Deferred income tax liabilities:							
Valuation and depreciation of property, plant and equipment	\$ 519	(3)	–	(6)	46	13	\$ 469
Valuation and amortisation of intangible assets	43	(9)	–	–	2	–	50
Other	146	43	–	–	7	–	96
	708	31	–	(6)	55	13	615
Deferred income tax assets:							
Tax losses available for offset	234	29	–	(7)	13	–	199
Accrued liabilities	129	14	(1)	(1)	9	13	95
Impairment of accounts receivable	15	11	–	–	1	–	3
Other	130	(28)	–	1	5	–	152
	508	26	(1)	(7)	28	13	449
Net deferred income tax asset	152	55	(1)	(1)	7	–	92
Net deferred income tax liability	\$ 352	60	–	–	34	–	\$ 258

Other movements in deferred tax assets and liabilities represent adjustments in connection with the adoption of IFRS 16 “Leases” (Note 2).

8. INCOME TAXES (CONTINUED)

Year ended 31 December 2018

<i>US\$ million</i>	2018	Change recognised in statement of operations	Change recognised in other comprehensive income	Change due to disposal of subsidiaries	Translation difference	Other movements	2017
Deferred income tax liabilities:							
Valuation and depreciation of property, plant and equipment	\$ 469	(4)	–	–	(73)	–	\$ 546
Valuation and amortisation of intangible assets	50	(8)	–	–	(4)	–	62
Other	96	27	–	–	(11)	–	80
	615	15	–		(88)	–	688
Deferred income tax assets:							
Tax losses available for offset	199	(42)	–	(1)	(25)	–	267
Accrued liabilities	95	(15)	(6)	–	(10)	–	126
Impairment of accounts receivable	3	(7)	–	–	(2)	–	12
Other	152	31	–	–	(7)	–	128
	449	(33)	(6)	(1)	(44)	–	533
Net deferred income tax asset	92	(65)	(4)	(1)	(11)	–	173
Net deferred income tax liability	\$ 258	(17)	2	–	(55)	–	\$ 328

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, including right-of-use assets, consisted of the following as of 31 December:

<i>US\$ million</i>	2020	2019	2018
Cost			
Land	\$ 97	\$ 102	\$ 100
Buildings and constructions	1,786	1,899	1,752
Machinery and equipment	4,595	4,758	4,302
Transport and motor vehicles	333	369	226
Mining assets	2,126	2,468	2,084
Other assets	36	34	35
Assets under construction	707	681	378
	9,680	10,311	8,877
Accumulated depreciation, depletion and impairment losses			
Buildings and constructions	(903)	(943)	(857)
Machinery and equipment	(3,051)	(2,904)	(2,647)
Transport and motor vehicles	(207)	(200)	(145)
Mining assets	(1,152)	(1,308)	(998)
Other assets	(26)	(25)	(28)
	(5,339)	(5,380)	(4,675)
Government grants	(27)	(6)	–
	\$ 4,314	\$ 4,925	\$ 4,202

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The movement in property, plant and equipment, including right-of-use assets, was as follows:

Year ended 31 December 2020

US\$ million	Land	Buildings and constructions	Machinery and equipment	Transport and motor vehicles	Mining assets	Other assets	Assets under construction	Total
At 31 December 2019, cost, net of accumulated depreciation	\$ 102	\$ 956	\$ 1,854	\$ 169	\$ 1,160	\$ 9	\$ 675	\$ 4,925
Additions	-	-	7	2	-	-	725	734
Assets put into operation	-	128	401	24	68	3	(624)	-
Disposals	-	(1)	(7)	-	-	-	-	(8)
Depreciation and depletion charge	-	(78)	(356)	(44)	(64)	(2)	-	(544)
Impairment losses recognised in statement of operations	-	-	(163)	-	(3)	-	(3)	(169)
Impairment losses reversed through statement of operations	-	-	1	-	5	-	1	7
Change in site restoration and decommissioning provision	-	-	-	-	(3)	-	-	(3)
Government grants	-	-	-	-	-	-	(20)	(20)
Translation difference	(5)	(122)	(193)	(25)	(189)	-	(74)	(608)
At 31 December 2020, cost, net of accumulated depreciation	\$ 97	\$ 883	\$ 1,544	\$ 126	\$ 974	\$ 10	\$ 680	\$ 4,314

Year ended 31 December 2019

US\$ million	Land	Buildings and constructions	Machinery and equipment	Transport and motor vehicles	Mining assets	Other assets	Assets under construction	Total
At 31 December 2018, cost, net of accumulated depreciation	\$ 100	\$ 895	\$ 1,655	\$ 81	\$ 1,086	\$ 7	\$ 378	\$ 4,202
IFRS 16 adoption: recognition of right-of-use assets (Note 2)	-	12	40	68	-	-	-	120
At 1 January 2019, cost, net of accumulated depreciation	\$ 100	\$ 907	\$ 1,695	\$ 149	\$ 1,086	\$ 7	\$ 378	\$ 4,322
Additions	1	-	11	4	-	-	828	844
Assets put into operation	-	50	387	46	66	6	(555)	-
Assets acquired in business combinations	4	-	-	-	-	-	-	4
Disposals	(3)	(1)	(6)	-	-	-	(4)	(14)
Depreciation and depletion charge	-	(82)	(331)	(46)	(87)	(4)	-	(550)
Impairment losses recognised in statement of operations	-	(13)	(25)	-	(101)	-	(10)	(149)
Impairment losses reversed through statement of operations	-	1	2	-	1	-	3	7
Transfer to assets held for sale	(4)	(8)	(25)	(2)	-	-	-	(39)
Change in site restoration and decommissioning provision	-	12	3	-	64	-	-	79
Government grants	-	-	-	-	-	-	(6)	(6)
Translation difference	4	90	143	18	131	-	41	427
At 31 December 2019, cost, net of accumulated depreciation	\$ 102	\$ 956	\$ 1,854	\$ 169	\$ 1,160	\$ 9	\$ 675	\$ 4,925

Year ended 31 December 2018

US\$ million	Land	Buildings and constructions	Machinery and equipment	Transport and motor vehicles	Mining assets	Other assets	Assets under construction	Total
At 31 December 2017, cost, net of accumulated depreciation	\$ 107	\$ 926	\$ 1,906	\$ 87	\$ 1,349	\$ 9	\$ 549	\$ 4,933
Additions	-	-	-	-	-	-	579	579
Assets put into operation	-	224	350	31	58	2	(665)	-
Disposals	-	(1)	(15)	(1)	(2)	-	-	(19)
Depreciation and depletion charge	-	(80)	(313)	(23)	(82)	(3)	-	(501)
Impairment losses recognised in statement of operations	-	(4)	(10)	-	(15)	-	(8)	(37)
Impairment losses reversed through statement of operations	-	-	1	-	6	-	-	7
Transfer to assets held for sale	-	(20)	(35)	-	-	-	(10)	(65)
Change in site restoration and decommissioning provision	-	(5)	1	-	(1)	-	-	(5)
Translation difference	(7)	(145)	(230)	(13)	(227)	(1)	(67)	(690)
At 31 December 2018, cost, net of accumulated depreciation	\$ 100	\$ 895	\$ 1,655	\$ 81	\$ 1,086	\$ 7	\$ 378	\$ 4,202

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Assets under construction include prepayments to constructors and suppliers of property, plant and equipment in the amount of \$22 million, \$77 million and \$36 million as of 31 December 2020, 2019 and 2018, respectively.

Impairment losses were identified in respect of certain items of property, plant and equipment that were recognised as functionally obsolete or as a result of the testing at the level of cash-generating units (Note 6).

The amount of borrowing costs capitalised during the year ended 31 December 2020 was \$Nil (2019: \$Nil, 2018: \$1 million).

Right-of-Use Assets

In 2020 and 2019, the movement in right-of-use assets were as follows:

US\$ million	Land	Buildings and constructions	Machinery and equipment	Transport and motor vehicles	Total
At 1 January 2019, assets under finance leases, cost, net of accumulated depreciation	\$ 3	\$ 1	\$ 3	\$ -	\$ 7
Newly recognised right-of-use assets	-	12	40	68	120
Total right-of-use assets at 1 January 2019	\$ 3	\$ 13	\$ 43	\$ 68	\$ 127
Additions	-	-	11	4	15
Purchase of right-of-use assets	(3)	(1)	-	-	(4)
Depreciation charge	-	(1)	(7)	(22)	(30)
Transfer to assets held for sale	-	-	-	(2)	(2)
Translation difference	-	-	1	8	9
At 31 December 2019, cost, net of accumulated depreciation	\$ -	\$ 11	\$ 48	\$ 56	\$ 115
Additions	-	-	7	2	9
Disposals	-	-	(2)	-	(2)
Depreciation charge	-	(2)	(8)	(19)	(29)
Impairment	-	-	(2)	-	(2)
Translation difference	-	-	(1)	(8)	(9)
At 31 December 2020, cost, net of accumulated depreciation	\$ -	\$ 9	\$ 42	\$ 31	\$ 82

The liabilities related to the right-of-use assets are disclosed in Note 25.

Assets in Operating Lease

The Group acts as a lessor in some operating lease contracts. The carrying value of assets in operating lease at 31 December 2020 and 2019 was \$31 million and \$66 million, respectively, the main part of which relates to railroad cars representing the right-of-use assets in sublease.

US\$ million	Land	Buildings and constructions	Machinery and equipment	Transport and motor vehicles	Total
At 31 December 2020, cost, net of accumulated depreciation	\$ -	\$ 3	\$ 1	\$ 27	\$ 31
At 31 December 2019, cost, net of accumulated depreciation	\$ 1	\$ 5	\$ 8	\$ 52	\$ 66

In 2020 and 2019, rental income amounted to \$25 million and \$32 million, respectively, including \$19 million and \$25 million, respectively, of income from subleasing of right-of-use assets.

At 31 December 2020, the undiscounted lease payments to be received under operating leases were as follows:

US\$ million	2021	2022	2023	2024	2025	In more than 5 years	Total
Lease payments under operating leases	\$ 22	\$ 12	\$ 2	\$ 2	\$ 2	\$ 11	\$ 51

At 31 December 2019, the undiscounted lease payments to be received under operating leases were as follows:

US\$ million	2020	2021	2022	2023	2024	In more than 5 years	Total
Lease payments under operating leases	\$ 25	\$ 26	\$ 15	\$ 3	\$ 3	\$ 20	\$ 92

10. INTANGIBLE ASSETS OTHER THAN GOODWILL

Intangible assets consisted of the following as of 31 December:

US\$ million	2020	2019	2018
Cost:			
Customer relationships	\$ 686	\$ 678	\$ 656
Water rights and environmental permits	57	57	57
Contract terms	20	24	21
Other	64	67	64
	827	826	798
Accumulated amortisation and impairment:			
Customer relationships	(617)	(567)	(525)
Water rights and environmental permits	(13)	(13)	(13)
Contract terms	(14)	(15)	(11)
Other	(45)	(46)	(43)
	(689)	(641)	(592)
	\$ 138	\$ 185	\$ 206

As of 31 December 2020, 2019 and 2018, water rights and environmental permits with a carrying value of \$44 million had an indefinite useful life.

The movement in intangible assets was as follows:

Year ended 31 December 2020

US\$ million	Customer relationships	Water rights and environmental permits	Contract terms	Other	Total
At 31 December 2019, cost, net of accumulated amortisation	\$ 111	\$ 44	\$ 9	\$ 21	\$ 185
Additions	-	-	-	7	7
Amortisation charge	(27)	-	(2)	(6)	(35)
Impairment	(16)	-	-	-	(16)
Translation difference	1	-	(1)	(3)	(3)
At 31 December 2020, cost, net of accumulated amortisation	\$ 69	\$ 44	\$ 6	\$ 19	\$ 138

Year ended 31 December 2019

US\$ million	Customer relationships	Water rights and environmental permits	Contract terms	Other	Total
At 31 December 2018, cost, net of accumulated amortisation	\$ 131	\$ 44	\$ 10	\$ 21	\$ 206
Additions	-	-	-	6	6
Amortisation charge	(26)	-	(2)	(6)	(34)
Translation difference	6	-	1	-	7
At 31 December 2019, cost, net of accumulated amortisation	\$ 111	\$ 44	\$ 9	\$ 21	\$ 185

Year ended 31 December 2018

US\$ million	Customer relationships	Water rights and environmental permits	Contract terms	Other	Total
At 31 December 2017, cost, net of accumulated amortisation	\$ 180	\$ 44	\$ 15	\$ 20	\$ 259
Additions	-	-	-	10	10
Amortisation charge	(36)	-	(2)	(6)	(44)
Translation difference	(13)	-	(3)	(3)	(19)
At 31 December 2018, cost, net of accumulated amortisation	\$ 131	\$ 44	\$ 10	\$ 21	\$ 206

11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

The Group accounted for investments in joint ventures and associates under the equity method.

The movement in investments in joint ventures and associates was as follows:

US\$ million	Timir	Streamcore	Other associates	Total
Investment at 31 December 2017	\$ 21	\$ 47	\$ 11	\$ 79
Share of profit/(loss)	(1)	9	1	9
Dividends paid	-	-	(1)	(1)
Translation difference	(3)	(9)	(1)	(13)
Investment at 31 December 2018	\$ 17	\$ 47	\$ 10	\$ 74
Additional investments	-	3	-	3
Share of profit/(loss)	(1)	7	3	9
Dividends paid	-	-	(2)	(2)
Translation difference	1	6	1	8
Investment at 31 December 2019	\$ 17	\$ 63	\$ 12	\$ 92
Disposal of investments	-	-	(1)	(1)
Share of profit/(loss)	-	1	1	2
Dividends paid	-	-	(1)	(1)
Translation difference	(3)	(10)	-	(13)
Investment at 31 December 2020	\$ 14	\$ 54	\$ 11	\$ 79

Timir Iron Ore Project

In April 2013, the Group acquired a 51% ownership interest in the joint venture with Alrosa for the development of 4 iron ore deposits in the southern part of the Yakutia region in Russia. Under the joint venture agreement major operating and financial decisions are made by unanimous consent of the Group and Alrosa, and no single venturer is in a position to control the activity unilaterally. Consequently, the Group accounts for its interest in Timir under the equity method.

The Group's consideration for this stake amounted to 4,950 million roubles (\$159 million at the exchange rate as of the date of the transaction) payable in instalments to 15 July 2014. The consideration was measured as the present value of the expected cash outflows. Later the payment schedule was changed by extending the payment period until 2019. From the dates of the amendments the Group incurred interest charges on the unpaid liability.

In 2019 and 2018, the Group paid 480 million roubles (\$8 million) and 500 million roubles (\$9 million), respectively, of purchase consideration and \$1 million and \$2 million, respectively, of interest charges. Previously, the Group paid the principal of 3,970 million roubles (\$104 million) in total. In addition, the Group paid interest charges on the liability.

At 31 December 2018, trade and other accounts payable included liabilities relating to this acquisition in the amount of \$8 million. In January 2019, the liability was fully settled.

The table below sets out Timir's assets and liabilities as of 31 December:

US\$ million	2020	2019	2018
Mineral reserves and property, plant and equipment	\$ 46	\$ 54	\$ 48
Other non-current assets	6	7	6
Total assets	52	61	54
Current liabilities	24	27	21
Total liabilities	24	27	21
Net assets	28	34	33
Net assets attributable to 51% ownership interest	\$ 14	\$ 17	\$ 17

In 2020, 2019 and 2018, Timir's statement of operations included only other income and expenses amounting to \$Nil, \$(1) million and \$(2) million, respectively.

At 31 December 2020, 2019 and 2018 Timir owed to the Group \$9 million, \$9 million and \$7 million, respectively, which were included in the receivables from related parties caption. The amounts represent a loan bearing interest of 6.45% per annum.

11. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

Streamcore

The Group owns a 50% interest in Streamcore (Cyprus), a joint venture established for the purpose of exercising joint control over facilities for scrap procurement and processing in Siberia, Russia.

The table below sets out Streamcore’s assets and liabilities as of 31 December:

US\$ million	2020	2019	2018
Property, plant and equipment	\$ 23	\$ 25	\$ 21
Other non-current assets	3	-	-
Inventories	95	10	9
Accounts receivable	96	94	151
Total assets	217	129	181
Deferred income tax liabilities	1	1	1
Current liabilities	108	3	86
Total liabilities	109	4	87
Net assets	108	125	\$ 94
Net assets attributable to 50% ownership interest	\$ 54	\$ 63	\$ 47

The table below sets out Streamcore’s income and expenses:

US\$ million	2020	2019	2018
Revenue	\$ 385	\$ 502	\$ 579
Cost of revenue	(367)	(478)	(553)
Other expenses, including income taxes	(16)	(10)	(8)
Net profit	2	14	\$ 18
Group's share of profit of the joint venture	1	7	\$ 9

12. DISPOSAL GROUPS HELD FOR SALE

The table below demonstrates the carrying values of assets and liabilities, at the dates of disposal, of the subsidiaries and other business units disposed of during 2018–2020.

US\$ million	2020	2019	2018
Property, plant and equipment	\$ -	\$ 39	\$ 65
Goodwill	-	-	-
Other non-current assets	-	26	2
Inventories	-	34	38
Accounts receivable	-	22	46
Cash and cash equivalents	-	47	2
Total assets	-	168	153
Employee benefits	-	7	21
Other non-current liabilities	-	13	-
Current liabilities	-	110	147
Total liabilities	-	130	168
Non-controlling interests	-	-	-
Net assets	\$ -	\$38	\$ (15)

12. DISPOSAL GROUPS HELD FOR SALE (CONTINUED)

The net assets of disposal groups sold in 2018–2020 related to the following reportable segments:

US\$ million	2020	2019	2018
Assets classified as held for sale	\$ -	\$ 168	\$ 153
Steel	-	155	153
Coal	-	-	-
Other operations	-	13	-
Liabilities directly associated with assets classified as held for sale	-	130	168
Steel	-	124	168
Coal	-	-	-
Other operations	-	6	-
Non-controlling interests	-	-	-
Steel	-	-	-

Cash flows on disposal of subsidiaries and other business units were as follows:

US\$ million	2020	2019	2018
Net cash disposed of with subsidiaries	\$ -	\$ (47)	\$ (2)
Cash received	11	99	54
Tax and transaction costs paid	-	(8)	-
Net cash inflow	11	44	\$ 52

The disposal groups sold during 2018–2020 are described below.

Stratcor Inc.

On 11 October 2019, the Group sold its wholly-owned subsidiary EVRAZ Stratcor Inc. to a third party for cash consideration of 1 US dollar. EVRAZ Stratcor Inc. is a vanadium producer located in the USA, it was included in the steel segment of the Group’s operations. The Group recognised a \$19 million gain on sale of the subsidiary within the Gain/(loss) on disposal groups classified as held for sale caption of the consolidated statement of operations. Cash disposed with the subsidiary amounted to \$Nil.

Evraztrans Ukraine

On 15 November 2019, the Group sold its wholly-owned subsidiary Evraztrans Ukraine to a third party for cash consideration of \$8 million. Evraztrans Ukraine is a railway forwarder located in Ukraine, it was included in 2 segments of the Group’s operations – other operations and steel.

The Group recognised a \$(36) million loss on sale of the subsidiary, including \$(37) million of cumulative exchange losses reclassified from other comprehensive income to the consolidated statement of operations. The result was included in the Gain/(loss) on disposal groups classified as held for sale caption of the consolidated statement of operations. Cash disposed with the subsidiary amounted to \$Nil. At 31 December 2019, the sale consideration was unsettled. In 2020, it was fully received in cash.

Yartsevo Rolling Mill

Historically, the Group was one of major creditors of a steel-rolling mill in Yartsevo located in the Smolensk region of Russia. The mill went into the bankruptcy proceedings and in the 1st half of 2019 the Group impaired the non-current financial asset relating to the mill, recognising a \$56 million loss, which was recorded in the Impairment of non-current financial assets caption of the consolidated statement of operations. At 30 June 2019, the resulting carrying value of the non-current financial asset was \$21 million. In November 2019, the Group acquired property, plant and equipment and inventory of this rolling mill from the auction undertaken in the course of the bankruptcy proceedings for \$22 million with the purpose of subsequent sale to a third party. The proceeds from the sale were used by the bankruptcy administrator to partially repay the debts of the mill, the majority of which were the debts to the Group. Upon acquisition the acquired non-current asset was classified as a disposal group held for sale. Shortly after the acquisition the Group sold the mill for cash consideration of \$66 million to a third-party acquirer. The gain on sale before tax amounting to \$44 million was included in the Gain/(loss) on disposal groups classified as held for sale caption of the consolidated statement of operations. Income tax paid on a resale margin amounted to \$8 million. At the moment of the acquisition the Group did not have any arrangement for the sale of the mill to a new purchaser, therefore, the purchase and sale transactions were not treated as linked.

Palini e Bertoli

On 2 December 2019, the Group sold its wholly-owned subsidiary EVRAZ Palini e Bertoli to a third party for cash consideration of \$36 million. EVRAZ Palini e Bertoli, an Italian rolling mill, was included in the steel segment of the Group’s operations.

The Group recognised a \$2 million gain on sale of the subsidiary, including \$(5) million of cumulative exchange losses reclassified from other comprehensive income to the consolidated statement of operations and \$(1) of transaction costs. The result was included in the Gain/(loss) on disposal groups classified as held for sale caption of the consolidated statement of operations. Cash disposed with the subsidiary amounted to \$47 million. At 31 December 2019, \$3 million of the sale consideration was unsettled. In 2020, it was fully received in cash.

12. DISPOSAL GROUPS HELD FOR SALE (CONTINUED)

Dneprovsk Metallurgical Plant

On 6 March 2018, the Group sold Dneprovsk Metallurgical Plant (Ukraine), in which it had a 97.73% ownership interest, to a third party for cash consideration of \$35 million. The consideration was payable in 2 instalments: \$25 million was received upon signing of the transaction documents and the rest was settled in December 2018. The Group received interest income on deferred consideration in the amount of \$1 million.

Prior to disposal the subsidiary was included in the steel segment. The Group recognised a \$(10) million loss on sale of the subsidiary, including \$(60) million of cumulative exchange losses reclassified from other comprehensive income to the consolidated statement of operations. The result was included in the Gain/(loss) on disposal groups classified as held for sale caption of the consolidated statement of operations. Cash disposed with the subsidiary amounted to \$2 million.

13. OTHER NON-CURRENT ASSETS

Other non-current assets consisted of the following as of 31 December:

Non-current Financial Assets

US\$ million	2020	2019	2018
Derivatives not designated as hedging instruments (Note 25)	\$ 2	\$ 17	\$ –
Trade and other receivables	18	16	17
Loans receivable	–	1	1
Receivables from related parties	–	–	1
Restricted deposits	6	6	6
Other	–	–	66
	\$ 26	\$ 40	\$ 91

Other Non-current Assets

US\$ million	2020	2019	2018
Safety stock inventories	\$ 28	\$ 29	\$ 24
Defined benefit asset (Note 23)	–	12	3
Income tax receivable	8	6	8
Other	9	8	9
	\$ 45	\$ 55	\$ 44

Other Non-current Financial Assets

In 2018, the Group’s other non-current financial assets mainly related to a steel-rolling mill located in the Smolensk region of Russia. In 2019, these assets were partially impaired and the remaining balance was settled by cash (Note 12).

Financial Assets Measured at Fair Value Through Other Comprehensive Income

At 31 December 2017, the Group held approximately 15% in Delong Holdings Limited (“Delong”), a flat steel producer headquartered in Beijing (China). At that date the investments in Delong were classified as available-for-sale and measured at fair value based on market quotations of the Singapore Exchange. At 31 December 2017, the carrying value of these investments amounted to \$33 million, including a \$30 million increase in the fair value recognised in other comprehensive income in 2017.

At 1 January 2018, the Group irrevocably designated these investments as measured at fair value through other comprehensive income. For such financial instruments all subsequent changes in fair value are reported in other comprehensive income, no impairment losses are recognised in profit or loss and no gains or losses are recycled to profit or loss upon derecognition.

In June 2018, the Group sold its ownership interest in Delong to the major shareholder of the entity for cash consideration of \$92 million. Market value of the equity instruments at the date of sale was \$71 million. Total gain, comprising the change in market value until the sale and the excess of the sale price over the market value of the investments at the sale date, amounting to \$59 million was recognised in other comprehensive income. Upon sale the Group transferred the realised gains accumulated in other comprehensive income (\$89 million) to accumulated profits.

14. INVENTORIES

Inventories consisted of the following as of 31 December:

US\$ million	2020	2019	2018
Raw materials and spare parts	\$ 542	\$ 811	\$ 737
Work-in-progress	136	185	292
Finished goods	407	484	445
	\$ 1,085	\$ 1,480	\$ 1,474

All respective inventory lines presented above are shown at lower of cost and net realisable value. As of 31 December 2020, 2019 and 2018, the net realisable value allowance was \$29 million, \$39 million and \$34 million, respectively.

As of 31 December 2020, 2019 and 2018, certain items of inventory with an approximate carrying amount of \$414 million, \$512 million and \$629 million, respectively, were pledged to banks as collateral against loans provided to the Group (Note 22).

15. TRADE AND OTHER RECEIVABLES

Trade and other receivables consisted of the following as of 31 December:

US\$ million	2020	2019	2018
Trade accounts receivable	\$ 345	\$ 481	\$ 806
Other receivables	70	99	71
	415	580	877
Allowance for expected credit losses	(37)	(46)	(42)
	\$ 378	\$ 534	\$ 835

Ageing analysis and movement in allowance for expected credit losses are provided in Note 28.

16. RELATED PARTY DISCLOSURES

Related parties of the Group include associates and joint venture partners, key management personnel and other entities that are under the control or significant influence of the key management personnel, the Group’s ultimate parent or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Amounts owed by/to related parties at 31 December were as follows:

	Amounts due from related parties			Amounts due to related parties		
US\$ million	2020	2019	2018	2020	2019	2018
Loans						
Timir (Note 11)	\$ 9	\$ 9	\$ 7	\$ –	\$ –	\$ –
Dividends receivable						
Yuzhny GOK	–	–	4	–	–	–
Sale of investments						
Streamcore	–	–	–	–	5	–
Trade balances						
Nakhodka Trade Sea Port	–	–	–	10	7	10
Vtorresource-Pererabotka	–	1	–	28	5	95
Yuzhny GOK	1	–	–	–	1	15
Other entities	–	–	–	–	1	2
	10	10	11	38	19	122
Less: allowance for expected credit losses	–	–	–	–	–	–
	\$ 10	\$ 10	\$ 11	\$ 38	\$ 19	\$ 122

In 2018–2020, the Group did not recognise any expense or income in relation to the expected credit losses of related parties.

16. RELATED PARTY DISCLOSURES (CONTINUED)

Transactions with related parties were as follows for the years ended 31 December:

US\$ million	Sales to related parties			Purchases from related parties		
	2020	2019	2018	2020	2019	2018
Genalta Recycling Inc.	\$ –	\$ –	\$ –	\$ 8	\$ 10	\$ 15
Nakhodka Trade Sea Port	–	–	–	77	72	73
Vtorresource-Pererabotka	3	6	6	376	498	569
Yuzhny GOK	7	28	32	–	77	104
Other entities	1	5	1	2	1	4
	\$ 11	\$ 39	\$ 39	\$ 463	\$ 658	\$ 765

In addition to the disclosures presented in this note, some of the balances and transactions with related parties are disclosed in Notes 11, 12, 13 and 25.

Genalta Recycling Inc. is a joint venture of a Canadian subsidiary of the Group. It sells scrap metal to the Group.

Lanebrook Limited (“Lanebrook”) was a controlling shareholder of the Company. After the transfer of ownership interests in EVRAZ plc to the shareholders of Lanebrook (Note 1), it represents an entity under common control by the shareholder. At 31 December 2018, the Group had other receivables from Lanebrook, amounting to \$32 million, in connection with the acquisition of a 1% ownership interest in Yuzhny GOK in 2008 (Note 18). In 2019, these receivables were settled by cash.

Nakhodka Trade Sea Port (“NTSP”) is an entity under common control with the Group. NTSP renders handling services to the Group.

Streamcore is a joint venture of the Group. In 2019, the Group received from Streamcore an advance payment for the sale of another associate of the Group, RVK Limited, to Streamcore for \$5 million. At the end of 2019 this transaction was not completed. In 2020, the share in RVK Limited was transferred to Streamcore and the Group recognised a \$5 million gain on sale, which was recorded within the Other non-operating expense caption of the consolidated statement of operations.

Vtorresource-Pererabotka is a subsidiary of Streamcore, the Group’s joint venture. It sells scrap metal to the Group and provides scrap processing and other services. In 2020, 2019 and 2018, the purchases of scrap metal from Vtorresource-Pererabotka amounted to \$344 million (1,378,211 tonnes), \$424 million (1,640,750 tonnes) and \$494 million (1,821,380 tonnes), respectively. At 31 December 2020 and 2019, \$131 million and \$156 million payable by the Group to Vtorresource-Pererabotka were classified as trade payables to third parties as Vtorresource-Pererabotka sold its receivables under factoring contracts to several banks with no recourse (Note 26). In addition, at 31 December 2020, \$10 million receivable by the Group from Vtorresource-Pererabotka was classified as trade receivables from third parties due to factoring arrangements.

Yuzhny GOK, an ore mining and processing plant, is an associate of an entity, which is under common control with EVRAZ plc. The Group sold steel products to Yuzhny GOK and purchased sinter from the entity. In 2019 and 2018, the volume of purchases was 755,085 tonnes and 1,344,277 tonnes, respectively. In 2019 and 2018, the Group recognised dividend income from Yuzhny GOK in the amount of \$3 million and \$4 million, respectively, within the other non-operating gains/(losses) caption in the consolidated statement of operations. The dividends declared in 2018 were received by the Group in 2019.

The transactions with related parties were based on prevailing market terms.

Compensation to Key Management Personnel

Key management personnel include the following positions within the Group:

- directors of the Company,
- vice presidents,
- senior management of major subsidiaries.

In 2020, 2019 and 2018, key management personnel totalled 28, 30 and 32 people, respectively. Total compensation to key management personnel were included in general and administrative expenses in the consolidated statement of operations and consisted of the following:

US\$ million	2020	2019	2018
Salary	\$ 13	\$ 14	\$ 14
Performance bonuses	7	12	13
Social security taxes	3	4	4
Share-based payments (Note 21)	7	7	8
Termination benefits	1	1	–
	\$ 31	\$ 38	\$ 39

Other disclosures on directors’ remuneration required by Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts & Reports) regulations 2008 are included in the Directors’ Remuneration Report.

17. OTHER TAXES RECOVERABLE

Taxes recoverable consisted of the following as of 31 December:

US\$ million	2020	2019	2018
Input VAT	\$ 45	\$ 73	\$ 78
Other taxes	133	102	123
	\$ 178	\$ 175	\$ 201

Input VAT, representing amounts payable or paid to suppliers, is recoverable from the tax authorities via offset against VAT payable to the tax authorities on the Group’s revenue or direct cash receipts from the tax authorities. Management periodically reviews the recoverability of the balance of input value added tax and believes it is fully recoverable within one year.

18. OTHER CURRENT FINANCIAL ASSETS

Other current assets included the following as of 31 December:

US\$ million	2020	2019	2018
Other receivables from Lanebrook (Note 16)	\$ –	\$ –	\$ 32
Restricted deposits at banks	2	4	3
	\$ 2	\$ 4	\$ 35

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents, mainly consisting of cash at banks, were denominated in the following currencies as of 31 December:

US\$ million	2020	2019	2018
US dollar	\$ 1,461	\$ 774	\$ 273
Euro	34	484	540
Russian rouble	124	134	215
Other	8	31	39
	\$ 1,627	\$ 1,423	\$ 1,067

20. EQUITY

Share Capital

Number of shares	31 December		
	2020	2019	2018
Ordinary shares, issued and fully paid	1,506,527,294	1,506,527,294	1,506,527,294

On 10 July 2018, EVRAZ plc reduced the nominal value of its shares from \$1 to \$0.05 each. The amount of the cancelled share capital (\$1,432 million) became distributable reserves.

Treasury Shares

Number of shares	31 December		
	2020	2019	2018
Treasury shares	49,654,691	54,620,233	63,177,187

In 2015, EVRAZ plc repurchased 108,458,508 of its own shares (\$336 million).

In 2020, 2019 and 2018, 4,965,542 shares, 8,556,954 shares and 11,297,476 shares, respectively, were transferred to the participants of Incentive Plans (Note 21). The cost of treasury shares transferred to the participants of Incentive Plans, amounted to \$15 million, \$27 million and \$35 million in 2020, 2019 and 2018, respectively.

Earnings per Share

Earnings per share are calculated by dividing the net income attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the potential dilutive ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2020	2019	2018
Weighted average number of ordinary shares outstanding during the period	1,455,054,617	1,448,789,048	1,439,326,349
Effect of dilution: share options	7,949,696	11,996,310	19,462,750
Weighted average number of ordinary shares adjusted for the effect of dilution	1,463,004,313	1,460,785,358	1,458,789,099
Profit for the year attributable to equity holders of the parent, US\$ million	\$ 848	\$ 326	\$ 2,406
Basic earnings per share	\$ 0.58	\$ 0.23	\$ 1.67
Diluted earnings per share	\$ 0.58	\$ 0.22	\$ 1.65

Dividends

Dividends declared by EVRAZ plc during 2018–2020 were as follows:

Date of declaration	To holders registered at	Dividends declared, US\$ million	US\$ per share
28/02/2018	09/03/2018	429.6	0.30
24/05/2018	08/06/2018	187.6	0.13
08/08/2018	17/08/2018	577.3	0.40
15/11/2018	23/11/2018	361	0.25
27/02/2019	08/03/2019	577.3	0.40
07/08/2019	16/08/2019	508.2	0.35
26/02/2020	06/03/2020	581	0.40
05/08/2020	21/08/2020	291	0.20

21. SHARE-BASED PAYMENTS

In 2018-2020, the Group had several Incentive Plans under which certain senior executives and employees (“participants”) could be awarded shares of the parent company upon vesting. These plans were adopted on 8 August 2014, 26 October 2015, 15 September 2016, 25 September 2017, 26 September 2018, 25 September 2019 and 28 September 2020.

The vesting under Incentive Plans adopted before 2017 does not depend on the achievement of any performance conditions. The new Plans adopted in 2017 and later provide that the number of shares transferred to participants upon vesting is dependent on the Group’s performance versus the selected group of peers. EBITDA and total shareholder return (“TSR”) are used as the key performance indicators. If the Group’s EBITDA achieves a specific ranking in the peer group (not lower than the 7th place in terms of EBITDA dynamics), then 50% of the shares of a particular tranche become vested, otherwise they are forfeited. If the Group’s TSR achieves a specific ranking in the peer group, then the other 50% of the shares of a particular tranche become vested, otherwise they are forfeited. Subject to the resolution of the Remuneration Committee, EBITDA can become the only metric in the performance evaluation (in case if the net debt to EBITDA ratio is equal to 3 or higher). The TSR-related vesting condition was considered by the Group as a market condition. As such, it was included in the estimation of the fair value of the granted shares and will not be subsequently revised. Vesting condition related to EBITDA was not taken into account when estimating the fair value of the share options at the grant date. Instead, this will be taken into account by adjusting the share-based expense based on the number of share options that eventually vest.

The vesting date for each tranche occurs within the 90-day period after announcement of the annual results. The expected vesting dates of the awards outstanding at 31 December 2020 are presented below:

Number of Shares of EVRAZ plc	Total	Incentive Plan 2020	Incentive Plan 2019	Incentive Plan 2018	Incentive Plan 2017
March 2021	3,725,939	1,020,164	466,291	716,893	1,522,591
March 2022	2,436,585	1,020,164	699,443	716,978	–
March 2023	2,229,714	1,530,247	699,467	–	–
March 2024	1,530,247	1,530,247	–	–	–
	9,922,485	5,100,822	1,865,201	1,433,871	1,522,591

The plans are administered by the Board of Directors of EVRAZ plc. The Board of Directors has the right to accelerate vesting of the grant. In the event of a participant’s employment termination, unless otherwise determined by the Board or by a decision of the authorised person, a participant loses the entitlement for the shares that were not awarded up to the date of termination.

There have been no modifications or cancellations to the plans during 2018–2020.

The Group accounted for share-based compensation at fair value pursuant to the requirements of IFRS 2 “Share-based Payment”. The weighted average fair value of share-based awards granted in 2020, 2019 and 2018 was \$3.23, \$4.25 and \$5.27 per share, respectively. The fair value of these awards was estimated at the date of grant and measured at the market price of the shares of the parent company reduced by the present value of dividends expected to be paid during the vesting period. The following inputs, including assumptions, were used in the valuation of Incentive plans, which were effective during 2018-2020:

	Incentive Plan 2020	Incentive Plan 2019	Incentive Plan 2018	Incentive Plan 2017	Incentive Plan 2016	Incentive Plan 2015	Incentive Plan 2014
Dividend yield (%)	3.2 – 4.1	2.3 – 3.0	1.8 – 2.3	2.1 – 2.9	n/a	7.3 – 9.1	3.6 – 4.8
Expected life (years)	0.5 – 3.5	0.5 – 3.5	0.5 – 3.5	0.5 – 3.5	0.5 – 3.5	0.6 – 3.6	0.6 – 3.6
Market prices of the shares of EVRAZ plc at the grant dates	\$4.31	\$5.75	\$7.36	\$3.86	\$1.73	\$1.36	\$1.68

The following table illustrates the number of, and movements in, share-based awards during the years.

Number of shares	2020	2019	2018
Outstanding at 1 January	10,771,774	17,755,977	27,912,610
Granted during the year	5,100,822	2,578,803	3,143,865
Forfeited during the year	(984,569)	(1,006,052)	(2,003,022)
Vested and exercised during the year	(4,965,542)	(8,556,954)	(11,297,476)
Outstanding at 31 December	9,922,485	10,771,774	17,755,977

The weighted average share price at the dates of exercise was \$2.97, \$7.21 and \$6.82 in 2020, 2019 and 2018, respectively. The weighted average remaining contractual life of the share-based awards outstanding as of 31 December 2020, 2019 and 2018 was 1.4, 1.1 and 1 years, respectively.

In the years ended 31 December 2020, 2019 and 2018, the expense arising from the equity-settled share-based compensations was as follows:

US\$ million	2020	2019	2018
Expense arising from equity-settled share-based payment transactions	\$ 11	\$ 13	\$ 15

22. LOANS AND BORROWINGS

Short-term and long-term loans and borrowings were as follows as of 31 December:

US\$ million	2020	Non-current	Current	2019	Non-current	Current	2018	Non-current	Current
Bank loans	\$ 1,608	\$ 1,554	\$ 54	\$ 1,404	\$ 1,352	\$ 52	\$ 1,370	\$ 1,290	\$ 80
US dollar-denominated									
6.50% notes due 2020	-	-	-	-	-	-	700	700	-
8.25% notes due 2021	735	-	735	750	750	-	750	750	-
6.75% notes due 2022	500	500	-	500	500	-	500	500	-
5.375% notes due 2023	750	750	-	750	750	-	750	750	-
5.25% notes due 2024	700	700	-	700	700	-	-	-	-
Rouble-denominated									
12.95% rouble bonds due 2019	-	-	-	-	-	-	216	-	216
12.60% rouble bonds due 2021	203	-	203	242	242	-	216	216	-
7.95% rouble bonds due 2024	271	271	-	323	323	-	-	-	-
Unamortised debt issue costs	(16)	(16)	-	(18)	(18)	-	(20)	(20)	-
Interest payable	86	-	86	88	-	88	81	-	81
	\$ 4,837	\$ 3,759	\$ 1,078	\$ 4,739	\$ 4,599	\$ 140	\$ 4,563	\$ 4,186	\$ 377

The average effective annual interest rates were as follows at 31 December:

	Long-term borrowings			Short-term borrowings		
	2020	2019	2018	2020	2019	2018
US dollar	4.76%	5.74%	6.13%	8.00%	3.31%	-
Russian rouble	7.22%	9.94%	12.84%	12.59%	7.83%	-
Euro	2.23%	2.39%	3.47%	1.03%	0.70%	0.74%
Canadian dollar	2.56%	4.08%	3.87%	-	-	-

The liabilities are denominated in the following currencies at 31 December:

US\$ million	2020	2019	2018
US dollar	\$ 3,993	\$ 4,027	\$ 3,758
Russian rouble	761	586	440
Canadian dollar	75	120	144
Euro	24	24	238
Other	-	-	3
Unamortised debt issue costs	(16)	(18)	(20)
	\$ 4,837	\$ 4,739	\$ 4,563

The movement in loans and borrowings were as follows:

US\$ million	2020	2019	2018
1 January	\$ 4,739	\$ 4,563	\$ 5,391
Cash changes:			
Cash proceeds from bank loans and notes, net of debt issues costs	1,218	2,805	1,412
Repayment of bank loans and notes, including interest	(1,304)	(3,035)	(2,459)
Net proceeds from/(repayment of) bank overdrafts and credit lines, including interest	(25)	22	-
Non-cash changes:			
Change in the balance of debt issues costs paid in subsequent reporting period	-	-	-
Non-cash proceeds (Note 29)	-	-	6
Interest and other charges expensed (Note 7)	291	291	322
Interest capitalised (Note 9)	-	-	1
Accrual of premiums and other charges on early repayment of borrowings (Note 7)	-	27	1
Transfer to disposal groups held for sale	-	-	-
Effect of exchange rate changes	(82)	66	(111)
31 December	\$ 4,837	\$ 4,739	\$ 4,563

22. LOANS AND BORROWINGS (CONTINUED)

Pledged Assets

The Group's pledged assets at carrying value included the following at 31 December:

US\$ million	2020	2019	2018
Property, plant and equipment	\$ 47	\$ 72	\$ 67
Inventory	414	512	629

Issuer Substitution

On 13 March 2019, EVRAZ plc assumed the liabilities of Evraz Group S.A. as the issuer of all outstanding US dollar-denominated notes with the total nominal value of \$2,700 million.

Issue of Notes and Bonds

In April 2019, EVRAZ plc issued 5.25% US dollar-denominated notes due 2024 in the amount of \$700 million. The proceeds from the issue of the notes were used to finance the purchase of 6.50% notes due 2020 at the tender offer in April 2019 and make whole call in May 2019.

In August 2019, EvrazHolding Finance, the Group's subsidiary, issued 7.95% rouble-denominated bonds due 2024 in the amount of 20,000 million roubles (\$317 million at the exchange rate at the date of the transaction).

Repurchase of Notes and Bonds

In November 2020, the Group partially repurchased its 8.25% notes due 2021 (\$15 million). There was no gain or loss on the transaction.

In April and May 2019, the Group fully settled its 6.50% notes due 2020 (\$700 million). The premium over the carrying value on the repurchase and other costs relating to the transaction in the total amount of \$26 million were charged to the Gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations.

In June 2019, the Group fully settled its 12.95% rouble bonds due 2019, there was no gain or loss on this transaction. Upon repayment of these bonds, the related swap contracts matured and the Group recycled \$33 million of the accumulated unrecognised gains on cash flow hedges from other comprehensive income to the statement of operations.

Compliance with Financial Covenants

Some of the loan agreements and terms and conditions of notes provide for certain covenants in respect of EVRAZ plc and its subsidiaries. The covenants impose restrictions in respect of certain transactions and financial ratios, including restrictions in respect of indebtedness and profitability. EBITDA used for covenants compliance calculations is determined based on the definitions of the respective loan agreements and may differ from that used by management for evaluation of performance.

Several bank credit facilities totalling \$1,458 million contain certain financial maintenance covenants. These covenants require EVRAZ plc to maintain two key ratios, consolidated net indebtedness to 12-month consolidated EBITDA and 12-month consolidated EBITDA to adjusted 12-month consolidated interest expense, within certain limits. A breach of one or both of these ratios would constitute an event of default under the facilities, which in turn may trigger cross default events under other debt instruments of the Group. The terms of certain facilities also set certain limitations on acquisitions and disposals by EVRAZ plc.

Notes due 2021, 2022, 2023 and 2024, totalling \$2,685 million issued by the Group have covenants restricting the incurrence of indebtedness by the issuer and its consolidated subsidiaries conditional on a gross leverage ratio. While the ratio level itself does not constitute a breach of covenants, exceeding the threshold of 3.5 times triggers a restriction on incurrence of consolidated indebtedness, which is removed once the ratio goes back below the threshold. The effect of the restriction is such that EVRAZ plc and its subsidiaries would not be allowed to increase the consolidated indebtedness, but are allowed to refinance existing indebtedness subject to certain conditions. As of 31 December 2020, the Group's gross leverage ratio was below 3.5.

Several bank credit facilities totalling \$126 million provide for certain covenants restricting the incurrence of indebtedness by EVRAZ North America plc and its subsidiaries conditional on a fixed charge ratio. Once the threshold for the ratio is exceeded, it triggers restrictions on incurrence of additional indebtedness by EVRAZ North America plc and its subsidiaries.

The incurrence covenants are in line with the Group's financial strategy and, therefore, do not constitute any excessive restriction on its operations.

During 2020 the Group was in compliance with all financial and non-financial covenants.

22. LOANS AND BORROWINGS (CONTINUED)

Unamortised Debt Issue Costs

Unamortised debt issue costs represent bank fees and transaction costs paid by the Group in relation to the arrangement and reset of loans and notes.

Unutilised Borrowing Facilities

The Group had the following unutilised borrowing facilities as of 31 December:

US\$ million	2020	2019	2018
Committed	937	447	\$ 377
Uncommitted	424	1,165	1,434
Total unutilised borrowing facilities	\$ 1,361	\$ 1,612	\$ 1,811

23. EMPLOYEE BENEFITS

Russian Plans

Certain Russian subsidiaries of the Group provide regular lifetime pension payments and lump-sum amounts payable at retirement date. These benefits generally depend on years of service, level of remuneration and amount of pension payment under the collective bargaining agreements. Other post-employment benefits consist of various compensations and certain non-cash benefits. The Group funds the benefits when the amounts of benefits fall due for payment.

In addition, some subsidiaries have defined benefit plans under which contributions are made to a separately administered non-state pension fund. The Group matches 100% of the employees' contributions to the fund up to 4% of their monthly salary. The Group's contributions become payable at the participants' retirement dates. At the end of the reporting year the benefit obligation was valued based on the terms of the pension plan assuming that all defined benefit plan participants will continue to participate in the plan.

Defined contribution plans represent payments made by the Group to the Russian state pension, social insurance and medical insurance funds at the statutory rates in force, based on gross salary payments. The Group has no legal or constructive obligation to pay further contributions in respect of those benefits.

In October 2018, the Russian pension law was amended introducing a higher retirement age from 1 January 2019. During 2019 – 2023 the retirement age will be gradually increased for women from 55 to 60 and for men from 60 to 65. The Group accounted for these amendments, when measuring the post-employment benefit obligations as of 31 December 2018 and recorded the resulting decrease in the obligations in the amount of \$2 million as a part of past service costs.

US and Canadian Plans

The Group's subsidiaries in the USA and Canada have defined benefit pension plans that cover specified eligible employees. Benefits are based on pensionable years of service, pensionable compensation, or a combination of both depending on the individual plan. The subsidiaries also have U.S. and Canadian supplemental retirement plans ("SERP's"), which are non-qualified plans designed to maintain benefits for eligible employees at the plan formula level. The subsidiaries provide other unfunded post-retirement medical and life insurance plans ("OPEB's") for certain of their eligible employees upon retirement after completion of a specified number of years of service. For the pension plans, SERP's and OPEB's, the subsidiaries use a measurement date for plan assets and obligations of 31 December.

Certain employees that were hired after specified dates are no longer eligible to participate in the defined benefit pension plans. Those employees are instead enrolled in defined contribution plans and receive a contribution funded by the Group's subsidiaries equal to 3–7% of annual wages, including applicable bonuses. The defined contribution plans are funded throughout the year and, depending on their work location, participants' benefits vesting dates range from immediate to after three years of service. In two Canadian locations, employees hired after a specific date participate in hybrid defined benefit/defined contribution pension plans. The benefits in the hybrid pension plans are at a reduced benefit for the defined benefit, and the defined contribution portion is funded at 1.5-1.6% of annual wages. In addition, the subsidiaries have defined contribution plans available for eligible U.S. and Canadian-based employees in which the subsidiaries generally match a percentage of the participants' contributions.

Some Canadian employees participate in a retirement savings plan. For these employees, the participation may be voluntary, employee contributions are matched by the employer at 1-1.5% of annual wages, including applicable bonuses, and depending on the group of employees, are funded either annually or throughout the year.

Other Plans

Defined benefit pension plans and defined contribution plans are maintained by the subsidiaries located in Europe.

23. EMPLOYEE BENEFITS (CONTINUED)

Defined Contribution Plans

The Group's expenses under defined contribution plans were as follows:

US\$ million	2020	2019	2018
Expense under defined contribution plans	\$ 257	\$ 274	\$ 245

Defined Benefit Plans

The Russian and other defined benefit plans were mostly unfunded and the US and Canadian plans were partially funded.

Except as disclosed above, in 2020 there were no significant plan amendments, curtailments or settlements.

The Group's defined benefit plans are exposed to the risks of unexpected growth in benefit payments as a result of increases in life expectancy, inflation, and salaries. As the plan assets include significant investments in quoted and unquoted equity shares, corporate and government bonds and notes, the Group is also exposed to equity market risk.

The components of net benefit expense recognised in the consolidated statement of operations for the years ended 31 December 2020, 2019 and 2018 and amounts recognised in the consolidated statement of financial position as of 31 December 2020, 2019 and 2018 for the defined benefit plans were as follows:

Net benefit expense (recognised in the statement of operations within cost of sales and selling, general and administrative expenses and interest expense)

Year ended 31 December 2020

US\$ million	Russian plans	US & Canadian plans	Other plans	Total
Current service cost	\$ (3)	\$ (18)	\$ –	\$ (21)
Net interest expense	(7)	(4)	–	(11)
Past service cost	(2)	–	–	(2)
Other	–	(3)	–	(3)
Net benefit expense	\$ (12)	\$ (25)	\$ –	\$ (37)

Year ended 31 December 2019

US\$ million	Russian plans	US & Canadian plans	Other plans	Total
Current service cost	\$ (2)	\$ (17)	\$(1)	\$ (20)
Net interest expense	(8)	(5)	–	(13)
Net actuarial gains/(losses) on other long-term employee benefits obligation	(4)	–	–	(4)
Past service cost	(1)	–	–	(1)
Other	–	(3)	–	(3)
Net benefit expense	\$ (15)	\$ (25)	\$ (1)	\$ (41)

Year ended 31 December 2018

US\$ million	Russian plans	US & Canadian plans	Other plans	Total
Current service cost	\$ (2)	\$ (19)	\$–	\$ (21)
Net interest expense	(8)	(5)	–	(13)
Net actuarial gains/(losses) on other long-term employee benefits obligation	(1)	–	–	(1)
Past service cost	–	(1)	–	(1)
Curtailment/settlement gain	1	–	–	1
Other	–	(3)	–	(3)
Net benefit expense	\$ (10)	\$ (28)	\$–	\$ (38)

23. EMPLOYEE BENEFITS (CONTINUED)

Gains/(losses) recognised in other comprehensive income

Year ended 31 December 2020

<i>US\$ million</i>	Russian plans	US & Canadian plans	Other plans	Total
Return on plan assets, excluding amounts included in net interest expense	\$ –	\$63	\$ –	\$63
Net actuarial gains/(losses) on post-employment benefit obligation	6	(74)	–	(68)
Effect of asset ceiling	–	2	–	2
	\$ 6	\$ (9)	\$ –	\$ (3)

Year ended 31 December 2019

<i>US\$ million</i>	Russian plans	US & Canadian plans	Other plans	Total
Return on plan assets, excluding amounts included in net interest expense	\$ –	\$ 84	\$ –	\$ 84
Net actuarial gains/(losses) on post-employment benefit obligation	(15)	(81)	(3)	(99)
	\$ (15)	\$ 3	\$ (3)	\$ (15)

Year ended 31 December 2018

<i>US\$ million</i>	Russian plans	US & Canadian plans	Other plans	Total
Return on plan assets, excluding amounts included in net interest expense	\$ –	\$ (30)	\$ –	\$ (30)
Net actuarial gains/(losses) on post-employment benefit obligation	2	56	–	58
	\$ 2	\$ 26	\$ –	\$ 28

Actual return on plan assets was as follows:

<i>US\$ million</i>	2020	2019	2018
Actual return on plan assets	\$ 82	\$ 105	\$ (10)
including:			
US & Canadian plans	82	105	(10)
Russian plans	–	–	–

Net defined benefit liability

Year ended 31 December 2020

<i>US\$ million</i>	Russian plans	US & Canadian plans	Other plans	Total
Benefit obligation	\$ 102	\$858	\$ 10	\$ 970
Plan assets	–	(724)	(6)	(730)
Net defined benefit asset	–	–	–	–
Net defined benefit liability	\$ 102	\$ 134	\$ 4	\$ 240

23. EMPLOYEE BENEFITS (CONTINUED)

Net defined benefit liability (continued)

Year ended 31 December 2019

<i>US\$ million</i>	Russian plans	US & Canadian plans	Other plans	Total
Benefit obligation	\$ 123	\$ 785	\$ 11	\$ 919
Plan assets	–	(653)	(7)	(660)
Net defined benefit asset	–	12	–	12
Net defined benefit liability	\$ 123	\$ 144	\$ 4	\$ 271

Year ended 31 December 2018

<i>US\$ million</i>	Russian plans	US & Canadian plans	Other plans	Total
Benefit obligation	\$ 91	\$ 687	\$ –	\$ 778
Plan assets	–	(555)	–	(555)
Net defined benefit asset	–	3	–	3
Net defined benefit liability	\$ 91	\$ 135	\$ –	\$ 226

Movements in net defined benefit liability/(asset)

<i>US\$ million</i>	Russian plans	US & Canadian plans	Other plans	Total
At 31 December 2017	\$ 111	\$ 154	\$ 19	\$ 284
Net benefit expense recognised in the statement of operations	10	28	–	38
Contributions by employer	(8)	(24)	–	(32)
(Gains)/losses recognised in other comprehensive income	(2)	(26)	–	(28)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	–	–	(20)	(20)
Translation difference	(20)	–	1	(19)
At 31 December 2018	\$ 91	\$ 132	\$ –	\$ 223
Net benefit expense recognised in the statement of operations	15	25	1	41
Contributions by employer	(10)	(15)	–	(25)
(Gains)/losses recognised in other comprehensive income	15	(3)	3	15
Reclassification to liabilities directly associated with disposal groups classified as held for sale	–	(7)	–	(7)
Translation difference	12	–	–	12
At 31 December 2019	\$ 123	\$ 132	\$ 4	\$ 259
Net benefit expense recognised in the statement of operations	12	25	–	37
Contributions by employer	(7)	(33)	(1)	(41)
(Gains)/losses recognised in other comprehensive income	(6)	9	–	3
Translation difference	(20)	1	1	(18)
At 31 December 2020	\$ 102	\$ 134	\$ 4	\$ 240

23. EMPLOYEE BENEFITS (CONTINUED)

Movements in benefit obligation

US\$ million	Russian plans	US & Canadian plans	Other plans	Total
At 31 December 2017	\$ 111	\$ 765	\$ 19	\$ 895
Interest cost on benefit obligation	8	25	–	33
Current service cost	2	19	–	21
Past service cost	–	1	–	1
Benefits paid	(8)	(36)	–	(44)
Actuarial (gains)/losses on benefit obligation related to changes in demographic assumptions	–	(7)	–	(7)
Actuarial (gains)/losses on benefit obligation related to changes in financial assumptions	(6)	(49)	–	(55)
Actuarial (gains)/losses on benefit obligation related to experience adjustments	5	–	–	5
Curtailment/settlement gain	(1)	–	–	(1)
Reclassification to liabilities directly associated with disposal groups classified as held for sale*	–	–	(20)	(20)
Translation difference	(20)	(31)	1	(50)
At 31 December 2018	\$ 91	\$ 687	\$ –	\$ 778
Interest cost on benefit obligation	8	26	–	34
Current service cost	2	17	1	20
Past service cost	1	–	–	1
Benefits paid	(10)	(36)	(1)	(47)
Actuarial (gains)/losses on benefit obligation related to changes in demographic assumptions	3	(2)	–	1
Actuarial (gains)/losses on benefit obligation related to changes in financial assumptions	15	83	3	101
Actuarial (gains)/losses on benefit obligation related to experience adjustments	1	–	–	1
Reclassification to liabilities directly associated with disposal groups classified as held for sale	–	(8)	–	(8)
Other	–	–	8	8
Translation difference	12	18	–	30
At 31 December 2019	\$ 123	\$ 785	\$ 11	\$ 919
Interest cost on benefit obligation	7	23	–	30
Current service cost	3	18	–	21
Past service cost	2	–	–	2
Benefits paid	(7)	(51)	(4)	(62)
Actuarial (gains)/losses on benefit obligation related to changes in demographic assumptions	1	(6)	–	(5)
Actuarial (gains)/losses on benefit obligation related to changes in financial assumptions	(1)	84	–	83
Actuarial (gains)/losses on benefit obligation related to experience adjustments	(6)	(4)	–	(10)
Effect of asset ceiling	–	(2)	–	(2)
Other	–	1	2	3
Translation difference	(20)	10	1	(9)
At 31 December 2020	\$ 102	\$ 858	\$ 10	\$ 970

* This movement reflects the sale of Dneprovsk Metallurgical plant (Ukraine) in March 2018.

The weighted average duration of the defined benefit obligation was as follows:

Years	2020	2019	2018
Russian plans	10.97	10.85	9.82
Ukrainian plans	–	–	8.00
US & Canadian plans	14.96	14.34	13.48
Other plans	20.4	20.3	7.46

23. EMPLOYEE BENEFITS (CONTINUED)

Changes in the fair value of plan assets

US\$ million	Russian plans	US & Canadian plans	Other plans	Total
At 31 December 2017	\$ –	\$ 611	\$ –	\$ 611
Interest income on plan assets	–	20	–	20
Return on plan assets (excluding amounts included in net interest expense)	–	(30)	–	(30)
Contributions of employer	8	24	–	32
Benefits paid	(8)	(36)	–	(44)
Other	–	(3)	–	(3)
Translation difference	–	(31)	–	(31)
At 31 December 2018	\$ –	\$ 555	\$ –	\$ 555
Interest income on plan assets	–	21	–	21
Return on plan assets (excluding amounts included in net interest expense)	–	84	–	84
Contributions of employer	10	15	–	25
Benefits paid	(10)	(36)	(1)	(47)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	–	(1)	–	(1)
Other	–	(3)	8	5
Translation difference	–	18	–	18
At 31 December 2019	\$ –	\$ 653	\$ 7	\$ 660
Interest income on plan assets	–	19	–	19
Return on plan assets (excluding amounts included in net interest expense)	–	63	–	63
Contributions of employer	7	33	1	41
Benefits paid	(7)	(51)	(4)	(62)
Other	–	(2)	2	–
Translation difference	–	9	–	9
At 31 December 2020	\$ –	\$ 724	\$ 6	\$ 730

The amount of contributions expected to be paid to the defined benefit plans during 2021 approximates \$42 million.

The major categories of plan assets as a percentage of total plan assets were as follows at 31 December:

		2020		2019		2018	
		Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
US & Canadian plans:							
Equity funds and investment trusts	45%	–	48%	34%	51%	35%	
Governmental bonds	17%	–	–	–	–	–	
Corporate bonds and notes	24%	–	14%	–	12%	–	
Cash	3%	–	3%	–	2%	–	
Other	3%	8%	–	1%	–	–	
	92%	8%	65%	35%	65%	35%	

23. EMPLOYEE BENEFITS (CONTINUED)

The principal assumptions used in determining pension obligations for the Group’s plans are shown below:

	2020			2019			2018		
	Russian plans	US & Canadian plans	Other plans	Russian plans	US & Canadian plans	Other plans	Russian plans	US & Canadian plans	Other plans
Discount rate	6.2%	2-2.6%	0.2%	7%	3.3-3.4%	0.2%	8.6%	3.3-4.3%	3%
Future benefits increases	4-7%	–	1%	5%	–	–	5-9%	–	3%
Future salary increase	4-7%	3%	1%	5%	3%	1%	5-9%	3%	–
Average life expectation, male, years	71	86.5	88	70	86	88	69	86	81
Average life expectation, female, years	80	88.5	91	80	88.5	90	79	88.5	87
Healthcare costs increase rate	–	6.5%	–	–	5-6.8%	–	–	5-7%	–

The following table demonstrates the sensitivity analysis of reasonable changes in the significant assumptions used for the measurement of the defined benefit obligations, with all other variables held constant.

	Reasonable change in assumption	Impact on the defined benefit obligation at 31 December 2020, US\$ million			Impact on the defined benefit obligation at 31 December 2019, US\$ million			Impact on the defined benefit obligation at 31 December 2018, US\$ million		
		Russian plans	US & Canadian plans	Other plans	Russian plans	US & Canadian plans	Other plans	Russian plans	US & Canadian plans	Other plans
Discount rate	10%	\$ (8)	\$ (32)	\$ (1)	\$ (8)	\$ (34)	\$ (1)	\$ (7)	\$ (38)	\$ –
	(10%)	9	33	1	9	36	1	8	40	–
Future benefits increases	10%	7	–	–	6	–	–	5	–	–
	(10%)	(6)	–	–	(9)	–	–	(4)	–	–
Future salary increase	10%	1	1	–	1	1	–	1	1	–
	(10%)	(1)	(1)	–	(1)	(1)	–	(1)	(1)	–
Average life expectation, male, years	1	1	14	–	1	12	–	–	11	–
	(1)	(1)	(14)	–	(1)	(12)	–	(2)	(11)	–
Average life expectation, female, years	1	1	9	–	1	7	–	–	6	–
	(1)	(1)	(9)	–	(1)	(7)	–	(2)	(6)	–
Healthcare costs increase rate	10%	–	1	–	–	–	–	–	1	–
	(10%)	–	(1)	–	–	–	–	–	(1)	–

24. PROVISIONS

At 31 December the provisions were as follows:

US\$ million	2020		2019		2018	
	Non-current	Current	Non-current	Current	Non-current	Current
Site restoration and decommissioning costs	\$ 272	\$ 24	\$ 321	\$ 21	\$ 221	\$ 23
Other provisions	–	17	–	12	1	12
	\$ 272	\$ 41	\$ 321	\$ 33	\$ 222	\$ 35

In the years ended 31 December 2020, 2019 and 2018, the movement in provisions was as follows:

US\$ million	Site restoration and decommissioning costs	Other provisions	Total
At 31 December 2017	\$ 289	\$ 12	\$ 301
Additional provisions	4	14	18
Increase from passage of time	16	–	16
Effect of change in the discount rate	(38)	–	(38)
Effect of changes in estimated costs and timing	29	–	29
Utilised in the year	(13)	(12)	(25)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(1)	–	(1)
Translation difference	(42)	(1)	(43)
At 31 December 2018	\$ 244	\$ 13	\$ 257
Additional provisions	31	21	52
Increase from passage of time	18	–	18
Effect of change in the discount rate	73	–	73
Effect of changes in estimated costs and timing	(20)	–	(20)
Utilised in the year	(21)	(10)	(31)
Unused amounts reversed	–	(4)	(4)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(9)	(8)	(17)
Translation difference	26	–	26
At 31 December 2019	\$ 342	\$ 12	\$ 354
Additional provisions	5	18	23
Increase from passage of time	17	–	17
Effect of changes in estimated costs and timing	1	–	1
Utilised in the year	(10)	(4)	(14)
Unused amounts reversed	(10)	(8)	(18)
Translation difference	(49)	(1)	(50)
At 31 December 2020	\$ 296	\$ 17	\$ 313

Site Restoration Costs

Under the legislation, mining companies and steel mills have obligations to restore mining sites and contaminated land. The majority of costs are expected to be paid after 2061.

At 31 December the respective liabilities were measured based on estimates of restoration costs, which are expected to be incurred in the future discounted at the following annual rates:

	2020	2019	2018
Russia	7%	7%	9%
USA	2%	2%	3%
Others	n/a	n/a	4.7%

25. LEASE AND OTHER LONG-TERM LIABILITIES

Lease Liabilities

The Group has a number of lease contracts, under which it leases railroad cars, coating equipment, warehouses, offices and other machinery and equipment (Note 9). Before the adoption of IFRS 16 (Note 2) the Group classified its leases (as lessee) at the inception date as either a finance lease within the Other long-term liabilities caption or an operating lease. The movement in lease liabilities is disclosed in the table below:

US\$ million	2020			2019		
	Total	Non-current lease liabilities	Current portion of lease liabilities	Total	Non-current lease liabilities	Current portion of lease liabilities
1 January	\$ 117	\$ 83	\$ 34	\$ 124	\$ 90	\$ 34
Recognition of liabilities under new contracts	9	8	1	15	14	1
Sale of subsidiaries	-	-	-	(2)	-	(2)
Interest accrued	6	4	2	8	6	2
Payment of principal	(31)	-	(31)	(35)	-	(35)
Payment of interest	(2)	-	(2)	(2)	-	(2)
Termination of lease arrangements	(2)	(1)	(1)	-	-	-
Reclassification into short-term portion	-	(31)	31	-	(33)	33
Translation difference	(10)	(6)	(4)	9	6	3
31 December	\$ 87	\$ 57	\$ 30	\$ 117	\$ 83	\$ 34

Total expenses under lease contracts are summarised in the table below.

US\$ million	2020	2019
Interest accrued under lease liabilities	\$ 6	\$ 8
Expense relating to variable lease payments not included in the measurement of opening lease liabilities	7	7
Expense relating to leases, which were not recognised as lease liabilities (leases of low-value assets and short-term leases)	11	12
	\$ 24	\$ 27

The maturity of contractual undiscounted and discounted cash flows under lease payments at 31 December was as follows:

US\$ million	2020		2019	
	Lease payments	Present value of lease payments	Lease payments	Present value of lease payments
Not later than 1 year from the reporting date	\$ 31	\$ 30	\$ 35	\$ 34
Later than 1 year and not later than 2 years	34	29	38	34
Later than 2 years and not later than 5 years	18	15	40	34
Later than 5 years and not later than 10 years	12	9	14	10
Later than 10 years	6	4	8	5
Total lease payments	101	87	135	117
Less: amounts representing finance charges	(14)	-	(18)	-
31 December	\$ 87	\$ 87	\$ 117	\$ 117

25. LEASE AND OTHER LONG-TERM LIABILITIES (CONTINUED)

Other Long-Term Liabilities

Other liabilities consisted of the following as of 31 December:

US\$ million	2020	2019	2018
Financial liabilities			
Finance lease liabilities	\$ -	\$ -	6
Derivatives not designated as hedging instruments	49	6	5
Hedging instruments	-	-	46
Long-term trade and other payables	34	44	30
Long-term accounts payable to related parties	-	-	2
	83	50	89
Less: current portion (Note 26)	(10)	(24)	(68)
	73	26	21
Non-financial liabilities			
Employee income participation plans and compensations	-	-	6
Tax liabilities	16	4	8
Other non-financial liabilities	16	13	6
	32	17	20
Less: current portion (Note 26)	(3)	(3)	(3)
	29	14	17
	\$ 102	\$ 40	\$ 38

Hedging Instruments

In July 2015, the Group issued bonds in the total amount of 15,000 million Russian roubles (\$216 million at 31 December 2018), which bore interest of 12.95% per annum and had a put date in June 2019. The Group used an intercompany loan to transfer the proceeds from the bonds within the Group. To manage the currency exposure, the Group entered into a series of cross currency swap contracts with several banks under which it agreed to deliver US-dollar denominated interest payments at rates ranging from 5.90% to 6.55% per annum plus the notional amount, totaling approximately \$265 million, in exchange for rouble-denominated interest payments at the rate of 12.95% per annum plus notional, totaling 14,948 million roubles (\$215 million at 31 December 2018).

	Year of issue	Bonds principal, millions of roubles	Hedged amount, millions of roubles	Swap amount, US\$ million	Interest rates on the swap amount
12.95 per cent bonds due 2019	2015	15,000	13,310	239	5.90% - 6.55%

The Group accounted for these swap contracts as cash flow hedges. In 2017, one of these swap contracts with the notional amount of \$26 million did not meet the criteria for efficiency and ceased to be classified as hedging instruments. In 2019 and 2018, the change in fair value of these derivatives amounted to \$46 million and \$(44) million, respectively. The realised gain/(loss) on the swap transactions amounting to \$(23) million and \$11 million, respectively, was related to the interest portion of the change in fair value of the swap.

Under IFRS the lesser of the cumulative gain or loss on the hedging instrument from inception of the hedge and the cumulative change in present value of the expected future cash flows on the hedged item from inception of the hedge is recognised in other comprehensive income and the remaining loss on the hedging instrument is recorded through the statement of operations. In 2020, 2019 and 2018, the Group recognised a gain/(loss) in other comprehensive income amounting to \$Nil, \$27 million and \$(3) million, respectively. Most of the swaps were assessed as effective. Those swaps, which ceased to be effective, were reclassified into Derivatives Not Designated as Hedging Instruments. In 2020, 2019 and 2018, \$Nil, \$19 million and \$(41) million, respectively, were recorded in the Foreign exchange gains/(losses) caption in the consolidated statement of operations. In June 2019, upon repayment of the 12.95% rouble bonds, the related swap contracts matured and the Group recycled \$33 million of the accumulated unrecognised gains on cash flow hedges from other comprehensive income to the statement of operations.

Derivatives Not Designated as Hedging Instruments

In 2018-2020 derivatives not designated as hedging instruments comprised of those swap contracts, which either were not designated as cash flow or fair value hedges or ceased to be effective, and forward contracts.

The aggregate amounts under swap contracts translated at the year end exchange rates are summarised in the table below.

US\$ million	2020	2019	2018
Bonds and loans, principal	\$ 338	\$ 323	\$ 24
Hedged amount	338	323	24
Swap amount	381	317	26

25. LEASE AND OTHER LONG-TERM LIABILITIES (CONTINUED)

Derivatives Not Designated as Hedging Instruments (continued)

To manage the currency exposure on the rouble-denominated bonds, the Group partially economically hedged these transactions. In 2020, the Group concluded a currency and interest rate swap contract under which it agreed to deliver US dollar-denominated interest payments at a fixed rate of 3.335% rate per annum plus the US dollar notional amount, in exchange for variable rouble-denominated CBR key rate-based interest payments plus the rouble notional amount. The exchange is exercised on approximately the same dates as the payments under the bank loan.

In 2019, the Group concluded a currency and interest rate swap contract under which it agreed to deliver US dollar-denominated interest payments at a fixed rate of 3.75% per annum plus the US dollar notional amount, in exchange for fixed rouble-denominated interest payments plus the rouble notional amount. The exchange is exercised on approximately the same dates as the payments under the bonds.

The swap contracts, which were effective at 31 December 2020 and 2019, are summarised in the table below.

	Year of issue	Borrowings principal, millions of roubles	Hedged amount, millions of roubles	Swap amount, US\$ million	Interest rates on the swap amount
7.95 per cent bonds due 2024	2019	20,000	20,000	317	3.75%
EVRAZ ZSMK bank loan agreement due 2023	2020	5,000	5,000	64	3.335%

The discount rates used in the valuation were the non-deliverable forward rate curve and the interest rate swap curve for US dollar at the reporting dates.

In 2020, 2019 and 2018, a change in fair value of these derivatives of (\$64) million, \$20 million and \$(6) million, respectively, together with a realised gain/(loss) on the swap transactions, amounting to \$13 million, \$8 million and \$2 million, respectively, was recognised within gain/(loss) on financial assets and liabilities in the consolidated statement of operations (Note 7).

In 2018-2020, the Group concluded EUR/USD forward contracts, which were accounted for at fair value. In 2020, 2019 and 2018, the change in fair value of the derivatives \$6 million, \$(4) million and \$(2) million, respectively, together with a realised gain/(loss) on the currency forward transactions, amounting to \$(24) million, \$14 million and \$9 million, respectively, was recognised within gain/(loss) on financial assets and liabilities in the consolidated statement of operations (Note 7).

26. TRADE AND OTHER PAYABLES

Trade and other payables consisted of the following as of 31 December:

US\$ million	2020	2019	2018
Trade accounts payable	\$ 844	\$ 982	\$ 877
Liabilities for purchases of property, plant and equipment, including VAT	200	132	98
Accrued payroll	157	162	140
Other payables	50	75	30
Other long-term obligations with current maturities (Note 25)	13	27	71
	\$ 1,264	\$ 1,378	\$ 1,216

The maturity profile of the accounts payable is shown in Note 28.

At 31 December 2020 and 2019, trade accounts payable included \$131 million and \$156 million, respectively, owed by the Group for purchases of scrap from Vtorresource-Pererabotka, a related party (Note 16). These amounts were classified as trade payables to third parties as Vtorresource-Pererabotka sold its receivables from the Group under factoring contracts to several banks with no recourse.

27. OTHER TAXES PAYABLE

Other taxes payable were mainly denominated in roubles and consisted of the following as of 31 December:

US\$ million	2020	2019	2018
VAT	\$ 89	\$ 67	\$ 124
Social insurance taxes	47	48	40
Property tax	8	7	10
Land tax	6	6	5
Personal income tax	7	8	6
Import/export tariffs	–	7	74
Other taxes, fines and penalties	12	10	7
	\$ 169	\$ 153	\$ 266

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Financial instruments that potentially expose the Group to concentrations of credit risk consist primarily of cash and trade accounts receivable.

To manage credit risk related to cash, the Group maintains its available cash, mainly in US dollars and euros, in reputable international banks and major Russian banks. Management periodically reviews the creditworthiness of the banks in which it deposits cash.

The Group’s trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. There are no significant concentrations of credit risk within the Group. The Group defines counterparties as having similar characteristics if they are related entities. In 2020, the major customers were Russian Railways (6% of total sales) and TC Energy Corporation (4%).

Part of the Group’s sales is made on terms of letter of credit. In addition, the Group requires prepayments from certain customers. The Group does not require collateral in respect of trade and other receivables, except when a customer applies for credit terms which are longer than normal. In this case, the Group requires bank guarantees or other collateral. The Group has developed standard credit terms and constantly monitors the status of accounts receivable collection and the creditworthiness of the customers.

Certain of the Group’s long-standing Russian customers for auxiliary products, such as heat and electricity, represent municipal enterprises and governmental organisations that experience financial difficulties. The significant part of allowance for expected credit losses consists of receivables from such customers. The Group has no practical ability to terminate the supply to these customers and negotiates with regional and municipal authorities the terms of recovery of these receivables.

At 31 December the maximum exposure to credit risk is equal to the carrying amount of financial assets, which is disclosed below.

US\$ million	2020	2019	2018
Restricted deposits at banks (Notes 13 and 18)	\$ 8	\$ 10	\$ 9
Financial instruments included in other non-current and current assets (Notes 13 and 18)	2	17	66
Long-term and short-term investments (Notes 13 and 18)	–	–	32
Trade and other receivables (Notes 13 and 15)	396	550	852
Loans receivable	–	33	30
Receivables from related parties (Notes 13 and 16)	10	10	12
Cash and cash equivalents (Note 19)	1,627	1,423	1,067
	\$ 2,043	\$ 2,043	\$ 2,068

The ageing analysis of trade and other receivables, loans receivable and receivables from related parties at 31 December is presented in the table below.

US\$ million	2020		2019		2018	
	Gross amount	Impairment	Gross amount	Impairment	Gross amount	Impairment
Not past due	\$ 343	\$ (1)	\$ 446	\$ (1)	\$ 770	\$ (1)
Past due	100	(36)	193	(45)	166	(41)
less than 6 months	46	–	107	(1)	109	–
between 6 months and 1 year	5	(2)	31	–	9	–
over 1 year	49	(34)	55	(44)	48	(41)
	\$ 443	\$ (37)	\$ 639	\$ (46)	\$ 936	\$ (42)

In the years ended 31 December 2020, 2019 and 2018, the movement in allowance for expected credit losses was as follows:

US\$ million	2020	2019	2018
At 1 January	\$ (46)	\$ (42)	\$ (54)
Charge for the year	2	(3)	1
Utilised	2	2	3
Translation difference	5	(3)	8
At 31 December	\$ (37)	\$ (46)	\$ (42)

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group’s approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group’s reputation.

The Group manages liquidity risk by maintaining adequate cash reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity Risk (continued)

The Group prepares a rolling 12-month financial plan which ensures that the Group has sufficient cash on demand to meet expected operational expenses, financial obligations and investing activities as they arise. The Group exercises a daily monitoring of cash proceeds and payments. The Group maintains credit lines and overdraft facilities that can be drawn down to meet short-term financing needs. If necessary, the Group refinances its short-term debt by long-term borrowings. The Group also uses forecasts to monitor potential and actual financial covenants compliance status (Note 22). Where compliance is at risk, the Group considers options including debt repayment, refinancing or covenant reset. The Group has developed standard payment periods in respect of trade accounts payable and monitors the timeliness of payments to its suppliers and contractors.

The following tables summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, including interest payments.

31 December 2020

US\$ million	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	After 5 years	Total
Fixed-rate debt							
Loans and borrowings							
<i>Principal</i>	\$ –	\$ 943	\$ 5	\$ 510	\$ 1,748	\$ –	\$ 3,206
<i>Interest</i>	–	92	85	116	120	–	413
Lease liabilities	–	7	24	34	18	18	101
Other long-term financial liabilities	–	3	7	11	67	–	88
Total fixed-rate debt	–	1,045	121	671	1,953	18	3,808
Variable-rate debt							
Loans and borrowings							
<i>Principal</i>	–	3	41	350	1,157	–	1,551
<i>Interest</i>	–	12	47	53	54	–	166
Total variable-rate debt	–	15	88	403	1,211	–	1,717
Non-Interest bearing debt							
Loans and borrowings	–	–	–	–	1	9	10
Trade and other payables	195	890	9	–	–	–	1,094
Payables to related parties	1	33	–	–	–	–	34
Amounts payable under put options for shares in subsidiaries	–	65	–	–	–	–	65
Total non-Interest bearing debt	196	988	9	–	1	9	1,203
	\$ 196	\$ 2,048	\$ 218	\$ 1,074	\$ 3,165	\$ 27	\$ 6,728

31 December 2019

US\$ million	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	After 5 years	Total
Fixed-rate debt							
Loans and borrowings							
<i>Principal</i>	\$ –	\$ 5	\$ 5	\$ 1,002	\$ 2,304	\$ 10	\$ 3,326
<i>Interest</i>	–	97	134	184	249	–	664
Lease liabilities	–	9	26	38	40	22	135
Other long-term financial liabilities	–	16	8	11	16	–	51
Amounts payable under put options for shares in subsidiaries	–	–	69	–	–	–	69
Total fixed-rate debt	–	127	242	1,235	2,609	32	4,245
Variable-rate debt							
Loans and borrowings							
<i>Principal</i>	–	26	16	30	386	885	1,343
<i>Interest</i>	–	14	45	59	125	16	259
Total variable-rate debt	–	40	61	89	511	901	1,602
Non-Interest bearing debt							
Trade and other payables	228	883	78	–	–	–	1,189
Payables to related parties	1	13	–	–	–	–	14
Total non-Interest bearing debt	229	896	78	–	–	–	1,203
	\$ 229	\$ 1,063	\$ 381	\$ 1,324	\$ 3,120	\$ 933	\$ 7,050

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity Risk (continued)

31 December 2018

US\$ million	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	After 5 years	Total
Fixed-rate debt							
Loans and borrowings							
<i>Principal</i>	\$ –	\$ –	\$ 226	\$ 710	\$ 2,452	\$ 17	\$ 3,405
<i>Interest</i>	–	84	148	194	211	–	637
Finance lease liabilities	–	–	3	–	1	5	9
Other long-term financial liabilities	–	13	53	9	8	3	86
Amounts payable under put options for shares in subsidiaries							
<i>Principal</i>	–	–	60	–	–	–	60
<i>Interest</i>	–	–	9	–	–	–	9
Total fixed-rate debt	–	97	499	913	2,672	25	4,206
Variable-rate debt							
Loans and borrowings							
<i>Principal</i>	3	2	65	13	1,014	–	1,097
<i>Interest</i>	–	15	45	59	107	–	226
Total variable-rate debt	3	17	110	72	1,121	–	1,323
Non-Interest bearing debt							
Trade and other payables	129	864	12	–	–	–	1,005
Payables to related parties	94	26	–	–	–	–	120
Total non-Interest bearing debt	223	890	12	–	–	–	1,125
	\$ 226	\$ 1,004	\$ 621	\$ 985	\$ 3,793	\$ 25	\$ 6,654

Payables to related parties in the tables above do not include contract liabilities in the amount of \$4 million, \$5 million and \$2 million as of 31 December 2020, 2019 and 2018, respectively.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures, while optimising the return on risk.

Interest Rate Risk

The Group borrows on both a fixed and variable rate basis and has other interest-bearing liabilities, such as finance lease liabilities and other obligations.

The Group incurs interest rate risk on liabilities with variable interest rates. The Group's treasury function performs analysis of current interest rates. In case of changes in market fixed or variable interest rates management may consider the refinancing of a particular debt on more favourable terms.

The Group does not have any financial assets with variable interest rates.

Fair Value Sensitivity Analysis for Fixed Rate Instruments

The Group does not account for any fixed rate financial assets or liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect the Group's profits.

The Group does not account for any fixed rate financial assets as assets available for sale. Therefore, a change in interest rates at the reporting date would not affect the Group's equity.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market Risk (continued)

Interest Rate Risk (continued)

Cash Flow Sensitivity Analysis for Variable Rate Instruments

Based on the analysis of exposure during the years presented, reasonably possible changes in floating interest rates at the reporting date would affect profit before tax (“PBT”) by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

In estimating reasonably possible changes the Group assessed the volatility of interest rates during the reporting periods.

US\$ million	2020		2019		2018	
	Basis points	Effect on PBT	Basis points	Effect on PBT	Basis points	Effect on PBT
		US\$ millions		US\$ millions		US\$ millions
Liabilities denominated in US dollars						
Decrease in LIBOR	(18)	2	(17)	2	(17)	\$ 2
Increase in LIBOR	18	(2)	17	(2)	17	(2)
Liabilities denominated in euro						
Decrease in EURIBOR	(32)	-	(6)	-	(1)	-
Increase in EURIBOR	32	-	6	-	1	\$ -
Liabilities denominated in roubles						
Decrease in Bank of Russia key rate	(75)	-	(75)	-	(100)	-
Increase in Bank of Russia key rate	75	-	50	-	50	\$ -

Currency Risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in currencies other than the functional currencies of the respective Group’s subsidiaries. The currencies in which these transactions are denominated are primarily US dollars, Canadian dollars and euro. The Group does not have formal arrangements to mitigate currency risks of the Group’s operations. However, management believes that the Group is partly secured from currency risks as foreign currency denominated sales are used to cover repayment of foreign currency denominated borrowings.

The Group’s exposure to currency risk determined as the net monetary position in the respective currencies was as follows at 31 December:

US\$ million	2020	2019	2018
USD/RUB	\$2,230	\$ 2,750	\$ 2,886
EUR/RUB	(71)	467	265
EUR/USD	16	(77)	7
USD/CAD	(614)	(907)	(723)
EUR/CZK	(14)	(11)	(12)
USD/CZK	24	17	(20)
USD/UAH	-	-	(119)
USD/KZT	1	(164)	(170)
RUB/KZT	(168)	-	-

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market Risk (continued)

Currency Risk (continued)

Sensitivity Analysis

The following table demonstrates the sensitivity to reasonably possible changes in the respective currencies, with all other variables held constant, of the Group’s profit before tax. In estimating reasonably possible changes the Group assessed the volatility of foreign exchange rates during the reporting periods.

	2020		2019		2018	
	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT
	%	US\$ millions	%	US\$ millions	%	US\$ millions
USD/RUB	(16.88)	(478)	(7.78)	(230)	(13.87)	(468)
	16.88	304	7.78	200	13.87	350
EUR/RUB	(17.10)	12	(7.50)	(35)	(13.54)	(36)
	17.10	(12)	7.50	35	13.54	36
CAD/RUB	(18.91)	-	(8.84)	-	(16.08)	-
	18.91	-	8.84	-	16.08	-
EUR/USD	(7.79)	(1)	(5.02)	4	(7.35)	(1)
	7.79	1	5.02	(4)	7.35	1
USD/CAD	(8.13)	50	(4.58)	42	(6.76)	49
	8.13	(50)	4.58	(42)	6.76	(49)
EUR/CZK	(7.56)	1	(2.23)	-	(2.96)	-
	7.56	(1)	2.23	-	2.96	-
USD/CZK	(11.48)	(3)	(5.98)	(1)	(8.54)	2
	11.48	3	5.98	1	8.54	(2)
USD/UAH	(7.25)	-	(7.68)	-	(5.86)	7
	7.25	-	7.68	-	5.86	(7)
USD/KZT	(10.02)	-	(4.20)	7	(8.43)	14
	10.02	-	4.20	(7)	8.43	(14)
RUB/KZT	(14.86)	25	-	-	-	-
	14.86	(25)	-	-	-	-

In addition to the effects of changes in the exchange rates disclosed above, the Group is exposed to currency risk on derivatives (Note 25). The impact of currency risk on the fair value of these derivatives is disclosed below.

	2020		2019		2018	
	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT
	%	US\$ millions	%	US\$ millions	%	US\$ millions
USD/RUB	(16.88)	74	(7.78)	30	(13.87)	36
	16.88	(52)	7.78	(25)	13.87	(27)

Fair Value of Financial Instruments

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data (unobservable inputs).

The carrying amounts of financial instruments, such as cash, short-term and long-term investments, short-term accounts receivable and payable, short-term loans receivable and payable and promissory notes, approximate their fair value.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair Value of Financial Instruments (continued)

At 31 December the Group held the following financial instruments measured at fair value:

US\$ million	2020			2019			2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets measured at fair value									
Derivatives not designated as hedging instruments (Notes 13, 25)	-	2	-	-	17	-	-	-	-
Hedging instruments (Note 25)	-	-	-	-	-	-	-	-	-
Liabilities measured at fair value									
Derivatives not designated as hedging instruments (Note 25)	-	47	-	-	6	-	-	5	-
Hedging instruments (Note 25)	-	-	-	-	-	-	-	46	-

During the reporting period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The following table shows financial instruments for which carrying amounts differ from fair values at 31 December.

US\$ million	2020		2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Long-term fixed-rate bank loans	\$ 38	\$ 47	\$ 56	\$ 57	\$ 269	\$ 266
Long-term variable-rate bank loans	1,542	1,531	1,309	1,330	1,084	1,092
Long-term zero-rate bank loans	9	7	-	-	-	-
<i>USD-denominated</i>						
6.50% notes due 2020	-	-	-	-	708	723
8.25% notes due 2021	762	767	776	825	777	826
6.75% notes due 2022	514	543	513	555	513	535
5.375% notes due 2023	761	818	759	819	759	754
5.25% notes due 2024	707	778	705	770	-	-
<i>Rouble-denominated</i>						
12.95% rouble bonds due 2019	-	-	-	-	216	222
12.60% rouble bonds due 2021	210	213	250	268	223	241
7.95% rouble bonds due 2024	279	297	333	346	-	-
	\$ 4,822	\$ 5,001	\$ 4,701	\$ 4,970	\$ 4,549	\$ 4,659

The fair value of the non-convertible bonds and notes was determined based on market quotations (Level 1). The fair value of long-term bank loans was calculated based on the present value of future principal and interest cash flows, discounted at the Group's market rates of interest at the reporting dates (Level 3). The discount rates used for valuation of financial instruments were as follows:

Currency in which financial instruments are denominated	2020	2019	2018
USD	1.6 – 2.6%	2.5 – 3.8%	4.9 – 5.7%
EUR	2.2%	-	1.7 – 3.4%
RUB	4.9 – 7.2%	-	8.13%

Capital Management

Capital includes equity attributable to the equity holders of the parent entity. Revaluation surplus which is included in capital is not subject to capital management because of its nature.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise the return to shareholders. The Board of Directors reviews the Group's performance and establishes key performance indicators. There were no changes in the objectives, policies and processes during 2020.

The Group manages its capital structure and makes adjustments to it by the issue of new shares, dividend payments to shareholders, and the purchase of treasury shares. In addition, the Group monitors distributable profits on a regular basis and determines the amounts and timing of dividend payments taking into account cashflow and other constraints.

29. NON-CASH TRANSACTIONS

Transactions that did not require the use of cash or cash equivalents, not disclosed in the notes above, were as follows in the years ended 31 December:

US\$ million	2020	2019	2018
Liabilities for purchases of property, plant and equipment, excluding VAT	\$ 194	\$ 142	\$ 92
Loans provided in the form of payments by banks for property, plant and equipment	-	-	6

30. COMMITMENTS AND CONTINGENCIES

Operating Environment of the Group

The Group is one of the largest vertically integrated steel producers globally and the largest steel producer in Russia. The Group's major subsidiaries are located in Russia, the USA and Canada. Russia is considered to be a developing market with higher economic and political risks.

The unrest in the Southeastern region of Ukraine and the economic sanctions imposed by the USA and the European Union on Russia in 2014 and later on caused economic slowdown in Russia and reduced access to international capital markets. Further sanctions imposed on Russia could have an adverse impact on the Group's business.

Steel consumption is affected by the cyclical nature of demand for steel products and the sensitivity of that demand to worldwide general economic conditions.

In March 2018 the United States placed 25% tariffs on imports of most steel products from several countries, including Russia, while granting temporary exemptions for others, including Canada, Mexico, and the European Union. In May 2018, the U.S. announced the end of temporary exemptions for Canada, Mexico, and the European Union, putting 25% tariffs on imports from those jurisdictions effective 1 June 2018. In response, the government of Canada introduced 25% tariffs effective 1 July 2018 on selected steel products from the U.S. In addition, effective 25 October 2018, the Canadian government imposed provisional safeguard measures on imports from most countries (excluding the United States) of certain categories of steel products by adding a 25% surtax in cases, where the volume of imports from trading partners exceeded historical norms. Most of those provisional safeguards expired on 29 April 2019 following an inquiry by the Canadian International Trade Tribunal. In May 2019, the United States lifted the 25% tariffs on imports of steel products from Canada and Mexico. The Canadian government lifted its retaliatory tariffs on steel the same day.

Therefore, the Group's cross-border transactions between U.S. and Canadian subsidiaries no longer face the 25% Section 232 tariffs and Canadian retaliatory tariffs. The entities of the Steel North America segment import steel for further processing and final products for selling to domestic customers. U.S. Section 232 tariffs remain in place against other countries, including Russia, and U.S. subsidiaries still face those 25% tariffs on any imported steel from those countries.

In August 2018, the U.S. imposed a preliminary 24.38% antidumping duty on welded line pipe greater than 16-inch outside diameter exported from Canada into the United States. In April 2019, the U.S. imposed a final antidumping duty of 12.32% that remains in place. The first administrative review of the duty rate at the U.S. Department of Commerce was initiated in July 2020, which may lead to a revised antidumping duty rate in January 2022.

The coronavirus (COVID-19) pandemic outbreak has significantly affected the world economy, including steel production, oil and gas, and construction industry. However, the majority of the Group's businesses were relatively unaffected with no significant issues for production, supply or shipments. The increased market volatility may have an impact on the Group's financial position, earnings and cash flows in 2021 and beyond. Management closely monitors the development of the economic situation and undertakes all necessary measures to maintain the sustainability of the Group's business in the current circumstances.

The global economic climate continues to be unstable and this may negatively affect the Group's results and financial position in a manner not currently determinable.

30. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activity of the Group’s entities may not coincide with that of management. As a result, tax authorities may challenge transactions and the Group’s entities may be assessed for additional taxes, penalties and interest. In Russia the periods remain open to review by the tax and customs authorities with respect to tax liabilities for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Management believes that it has paid or accrued all taxes that are applicable. Where uncertainty exists, the Group has accrued tax liabilities based on its best estimate of the probable outflow of resources embodying economic benefits, which will be required to settle these liabilities. Possible liabilities which were identified by management at the end of the reporting period as those that can be subject to different interpretations of the tax laws and other regulations and are not accrued in these financial statements could be up to approximately \$72 million.

Contractual Commitments

At 31 December 2020, 2019 and 2018, the Group had contractual commitments for the purchase of production equipment and construction works for an approximate amount of \$462 million, \$379 million and \$250 million (including VAT), respectively.

In 2010, the Group concluded a contract with PraxAir (Note 2, *Accounting Judgements*) for the construction of an air separation plant and for the supply of oxygen and other gases produced by PraxAir at this plant for a period of 20 years (extended to 25 years in 2015, when the construction was completed). This supply contract does not fall within the scope of IFRS 16 “Leases”. At 31 December 2020, the Group has committed expenditure of \$517 million over the life of the contract.

In 2018, the Group concluded a contract with Air Liquide for the construction of an air separation plant and for the supply of oxygen and other gases produced by Air Liquide at this plant for a period of 20 years. The contractual price comprises a fixed component and a variable component. The total amount of the fixed component approximates \$422 million, which is payable within 20 years starting upon commencement of production in 2021 in proportion to the amounts of the variable component. The variable component is determined based on the actual purchase of gases and is estimated at \$374 million during the life of the contract. Based on management’s assessment this supply contract does not fall within the scope of IFRS 16 “Leases” as the Group has no access to the equipment and has no rights either to operate the assets, or to design them in order to predetermine the way of their usage. Also it is expected that more than an insignificant amount of the assets’ output will be sold to the parties unrelated to the Group. In addition, Air Liquide will construct the system of trunk and auxiliary pipelines, distribution stations and other equipment for products delivery, which will be leased by the Group for a period of 20 years and accounted for under IFRS 16. The cost of construction of the products delivery system is estimated at \$98 million.

In 2019, the Group concluded a contract with Xcel Energy Inc. for the supply of electricity for a period of 22 years. The Group is committed to purchase from 1 January 2022 at least 500,000 MWh annually on a take-or-pay basis at rates ranging from 3.90 to 4.90 cents/kWh. The rates can be adjusted for gas prices. The total amount of this commitment at the unadjusted rates approximates \$440 million.

Social Commitments

The Group is involved in a number of social programmes aimed to support education, healthcare and social infrastructure development in towns where the Group’s assets are located. The Group budgeted to spend approximately \$20 million under these programmes in 2021.

Environmental Protection

In the course of its operations, the Group may be subject to environmental claims and legal proceedings. The quantification of environmental exposures requires an assessment of many factors, including changing laws and regulations, improvements in environmental technologies, the quality of information available related to specific sites, the assessment stage of each site investigation, preliminary findings and the length of time involved in remediation or settlement.

The Group has a number of environmental claims and proceedings which are at a stage of investigation. Environmental provisions in relation to these proceedings that were recognised at 31 December 2020 amounted to \$21 million. Preliminary estimates available of the incremental costs indicate that such costs could be up to \$186 million. The Group has insurance agreements, which will provide reimbursement of the costs to be actually incurred up to \$228 million, of which \$21 million relate to the accrued environmental provisions and have been recognised in receivables at 31 December 2020. Management believes that an economic outflow of the additional costs is not probable and any pending environmental claims or proceedings will not have a material adverse effect on its financial position and results of operations.

In addition, the Group has committed to various environmental protection programmes covering periods from 2021 to 2026, under which the Group will perform works aimed at reductions in environmental pollution and contamination. As of 31 December 2020, the costs of implementing these programmes are estimated at \$226 million.

30. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Legal Proceedings

The Group has been and continues to be the subject of legal proceedings, none of which has had, individually or in aggregate, a significant effect on its operations or financial position.

The Group exercises judgement in measuring and recognising provisions and the exposure to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the final settlement. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. These estimates are subject to change as new information becomes available, primarily with the support of internal specialists or with the support of outside consultants. As of 31 December 2020, possible legal risks approximate \$35 million.

Issued Guarantees

In June 2018, EVRAZ plc and EVRAZ West-Siberian Metallurgical Plant issued a joint guarantee in the amount of up to 30 billion roubles (\$478 million at the exchange rate at the transaction date) to nine companies owned by Sibuglemet in respect of management services provided by one the Group’s subsidiaries to these entities. Sibuglemet is a producer of coking coal and operator of coal refineries in the Kemerovo region of Russia. The management company committed to perform all management functions including, inter alia, all the decisions required to carry out the day-to-day operations of these coal companies, their investment and procurement activities. The maturity of the guarantee was set for 31 December 2030.

On 15 November 2020, the Group terminated the management services contract. The guarantee will continue to be effective 3 years after the date of termination.

31. AUDITOR’S REMUNERATION

The remuneration of the Group’s auditor in respect of the services provided to the Group was as follows.

<i>US\$ million</i>	2020	2019	2018
Audit of the parent company of the Group	\$ 1	\$ 1	\$ 1
Audit of the subsidiaries	2	2	2
Total audit fees	3	3	3
Other services	–	1	1
\$ 3	\$ 4	\$ 4	\$ 4

32. MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests is provided below.

Non-controlling interests at 31 December				
<i>Subsidiary</i>	Country of incorporation	2020	2019	2018
Raspadskaya	Russia	4.85%	11.83%	16.16%
New CF&I (subsidiary of EVRAZ Inc NA)	USA	10.00%	10.00%	10.00%
<i>US\$ million</i>		2020	2019	2018
Accumulated balances of material non-controlling interests				
Raspadskaya		\$ 44	\$ 162	\$ 170
New CF&I (subsidiary of EVRAZ Inc NA)		105	105	103
Others		(20)	(15)	(16)
		129	252	257
Profit allocated to material non-controlling interests				
Raspadskaya		17	35	74
New CF&I (subsidiary of EVRAZ Inc NA)		–	2	4
Others		(7)	2	(14)
		\$ 10	\$ 39	\$ 64

32. MATERIAL PARTLY-OWNED SUBSIDIARIES (CONTINUED)

The summarised financial information regarding these subsidiaries is provided below. This information is based on amounts before inter-company eliminations. As described in Note 4, at the end of 2020 Raspadskaya acquired Yuzhkuzbassugol. Consequently, the consolidated statement of financial position of Raspadskaya includes, among others, Yuzhkuzbassugol and its subsidiaries, and the statement of operations and cash flow information do not include the acquired entities. In addition, at 31 December 2020, the share of non-controlling shareholders takes into account the potential buyback of 4.25% of Raspadskaya's shares (Note 4).

Summarised statements of operations

Raspadskaya

US\$ million	2020	2019	2018
Revenue	\$ 627	\$ 996	\$ 1,086
Cost of revenue	(441)	(509)	(493)
Gross profit/(loss)	186	487	593
Operating costs	(77)	(96)	(76)
Impairment of assets	–	(92)	(4)
Foreign exchange gains/(losses), net	94	(24)	23
Profit/(loss) from operations	203	275	536
Non-operating gains/(losses)	4	23	5
Profit/(loss) before tax	207	298	541
Income tax benefit/(expense)	(43)	(64)	(113)
Net profit/(loss)	\$ 164	\$ 234	\$ 428
Other comprehensive income/(loss)	(242)	150	(204)
Total comprehensive income/(loss)	(78)	384	224
attributable to non-controlling interests	(8)	56	42
dividends paid to non-controlling interests	(5)	(3)	–

New CF&I

US\$ million	2020	2019	2018
Revenue	\$ 561	\$ 757	\$ 808
Cost of revenue	(496)	(654)	(690)
Gross profit/(loss)	65	103	118
Operating costs	(82)	(93)	(88)
Impairment of assets	–	–	(1)
Profit/(loss) from operations	(17)	10	29
Non-operating gains/(losses)	22	20	19
Profit/(loss) before tax	5	30	48
Income tax benefit/(expense)	(1)	(7)	(11)
Net profit/(loss)	\$ 4	\$ 23	\$ 37
Other comprehensive income/(loss)	(1)	(6)	7
Total comprehensive income/(loss)	3	17	44
attributable to non-controlling interests	–	2	4
dividends paid to non-controlling interests	–	–	–

32. MATERIAL PARTLY-OWNED SUBSIDIARIES (CONTINUED)

Summarised statements of financial position as at 31 December

Raspadskaya

US\$ million	2020	2019	2018
Property, plant and equipment	\$ 1,452	\$ 870	\$ 831
Other non-current assets	24	9	113
Current assets	906	1,082	858
Total assets	2,382	1,961	1,802
Deferred income tax liabilities	96	82	71
Non-current liabilities	196	76	23
Current liabilities	1,230	327	545
Total liabilities	1,522	485	639
Total equity	860	1,476	1,163
attributable to:			
equity holders of parent	816	1,314	993
non-controlling interests	44	162	170

New CF&I

US\$ million	2020	2019	2018
Property, plant and equipment	\$ 228	\$ 205	\$ 173
Other non-current assets	1,022	1,038	982
Current assets	149	152	199
Total assets	1,399	1,395	1,354
Deferred income tax liabilities	17	16	12
Non-current liabilities	110	128	81
Current liabilities	222	204	231
Total liabilities	349	348	324
Total equity	1,050	1,047	1,030
attributable to:			
equity holders of parent	945	942	927
non-controlling interests	105	105	103

Summarised cash flow information

Raspadskaya

US\$ million	2020	2019	2018
Operating activities	\$ 89	\$ 386	\$ 345
Investing activities	(47)	194	(285)
Financing activities	(56)	(72)	(37)

New CF&I

US\$ million	2020	2019	2018
Operating activities	\$ 22	\$ 76	\$ 80
Investing activities	(2)	(70)	(80)
Financing activities	(19)	(6)	–

33. SUBSEQUENT EVENTS

On 24 February 2021, the Board of directors of EVRAZ plc declared dividends in the amount of \$437 million, which represents \$0.30 per share.

In January 2021, the Group fully settled its 8.25% notes due 2021.

34. LIST OF SUBSIDIARIES AND OTHER SIGNIFICANT HOLDINGS

Country of incorporation	Name	Relationship	Ownership interest in 2020	Registered address	Notes
Canada	Camrose Pipe Corporation	indirect subsidiary	100.00%	9040 N.Burgard Way, Portland, OR 97203	merged
Canada	Canadian National Steel Corporation	indirect subsidiary	100.00%	3300 TD Canada Trust Tower, 421-7 Avenue SW, Calgary Alberta T2P 4K9	merged
Canada	Evraz Canada Holding Company Ltd	indirect subsidiary	100.00%	suite 2500, 450 – 1st Street S.W.Calgary, Alberta T2P 5H1	
Canada	EVRAZ Inc. NA Canada	indirect subsidiary	100.00%	160 Elgin Street, Suite 2600, Ottawa Ontario K1P 1C3	
Canada	EVRAZ Materials Recycling Inc.	indirect subsidiary	100.00%	160 Elgin Street, Suite 2600, Ottawa, Ontario K1P 1C3	
Canada	EVRAZ Recycling (previously General Scrap Partnership)	indirect subsidiary	100.00%	387 Broadway, Winnipeg, Manitoba R3C 0V5	
Canada	EVRAZ Wasco Pipe Protection Corporation	indirect subsidiary	51.00%	181 Bay Street, Suite 2100, Toronto, Ontario M5J 2T3	
Canada	Genalta Recycling Inc.	joint venture	50.00%	2400, 525 8th Avenue SW Calgary AB T2P 1G1	
Canada	Genlandco Inc.	indirect subsidiary	100.00%	387 Broadway, Winnipeg, Manitoba R3C 0V5	merged
Canada	Kar-basher Manitoba Ltd	joint venture	50.00%	387 Broadway, Winnipeg, Manitoba R3C 0V5	
Canada	Kar-basher of Alberta Ltd	indirect subsidiary	100.00%	3300 TD Canada Trust Tower, 421-7 Avenue SW, Calgary, Alberta T2P 4K9	merged
Canada	King Crusher Inc.	joint venture	50.00%	3300 TD Canada Trust Tower, 421-7 Avenue SW, Calgary, Alberta T2P 4K9	
Canada	New Gensubco Inc.	indirect subsidiary	100.00%	387 Broadway, Winnipeg, Manitoba R3C 0V5	merged
Canada	Sametco Auto Inc.	indirect subsidiary	100.00%	160 Elgin Street, Suite 2600, Ottawa, Ontario K1P 1C3	merged
Cyprus	Actionfield Limited	indirect subsidiary	96.36%	3 Themistoklii Dervi, Julia House, 1066, Nicosia	excluding the effect of derecognition of 4.25% in Raspadskaya (Note 4)
Cyprus	East Metals Limited	indirect subsidiary	100.00%	3 Themistoklii Dervi, Julia House, 1066, Nicosia	
Cyprus	Malvero Holdings Limited	indirect subsidiary	-	3 Themistoklii Dervi, Julia House, 1066, Nicosia	100% controlled through put option for the purchase of shares
Cyprus	Mastercroft Finance Limited	indirect subsidiary	100.00%	3 Themistoklii Dervi, Julia House, 1066, Nicosia	
Cyprus	Nafkratos Limited	indirect subsidiary	100.00%	Themistoklii Dervi, 3, Julia House, P.C. 1066, Nicosia, Cyprus	
Cyprus	RVK Invest Limited	associate	21.31%	3 Themistoklii Dervi, Julia House, 1066, Nicosia	
Cyprus	Sinano Shipmanagement Limited	indirect subsidiary	100.00%	3 Themistoklii Dervi, Julia House, 1066, Nicosia	
Cyprus	Steeltrade Limited	indirect subsidiary	100.00%	3 Themistoklii Dervi, Julia House, 1066, Nicosia	
Cyprus	Streamcore Limited	joint venture	50.00%	3 Themistoklii Dervi, Julia House, 1066, Nicosia	
Cyprus	Unicroft Limited	indirect subsidiary	100.00%	Leoforos Archiepiskopou Makariou III, 135, EMELLE Building, flat/office 22, 3021, Limassol	
Cyprus	Velcast Limited	indirect subsidiary	100.00%	3 Themistoklii Dervi, Julia House, 1066, Nicosia	liquidated

34. LIST OF SUBSIDIARIES AND OTHER SIGNIFICANT HOLDINGS (CONTINUED)

Country of incorporation	Name	Relationship	Ownership interest in 2020	Registered address	Notes
Czech Republic	EVRAZ Nikom, a.s.	indirect subsidiary	100.00%	Mnisek pod Brdy, c. 900, 25210	
Kazakhstan	Evraz Caspian Steel	indirect subsidiary	65.00%	41, ul. Promyshlennaya, Kostanai, 110000	
Kazakhstan	EvrazMetall Kazakhstan	indirect subsidiary	100.00%	office 411; 29, prospekt Jenis, Saryarka district, Nur-Sultan	
Luxembourg	Evraz Group S.A.	direct subsidiary	100.00%	13, avenue Monterey, L-2163, Luxembourg	
Mexico	EVRAZ NA Mexico	indirect subsidiary	100.00%	Frida Kahlo 195-709, Valle Oriente, San Pedro Garza Garcia, Nuevo Leon, 66269	
Netherlands	ECS Holdings Europe B.V.	indirect subsidiary	65.00%	Hoogoorddreef 15, 1101 BA Amsterdam	
Republic of S.Africa	EVRAZ Highveld Steel and Vanadium Limited	indirect subsidiary	85.11%	Old Pretoria Road, Portion 93 of the Farm Schoongezicht 308 JS eMalahleni (Witbank)	deconsolidated in 2015
Republic of S.Africa	Mapochs Mine (Proprietary) Limited	indirect subsidiary	62.98%	Old Pretoria Road, Portion 93 of the Farm Schoongezicht 308 JS eMalahleni (Witbank)	deconsolidated in 2015
Republic of S.Africa	Mapochs Mine Community Trust	indirect subsidiary	-	Portion 93 of the farm Schoongezicht No.308 JS, eMalahleni	deconsolidated in 2015
Russia	Aktiv-Media	indirect subsidiary	100.00%	office 6; 35, ul. Ordzhonikidze, Novokuznetsk, Kemerovskaya obl., 654007	
Russia	Allegro	associate	50.00%	office 2/2, bld.2, ul. Vladislava Tetyukhina, Verhnyaya Salda, Sverdlovskaya obl., 624760	
Russia	ATP Yuzhkuzbassugol	indirect subsidiary	90.90%	20, Silikatnaya, Novokuznetsk, Kemerovskaya obl., 654086	excluding the effect of derecognition of 4.25% in Raspadskaya (Note 4)
Russia	AVT-Ural	indirect subsidiary	51.00%	2, ul. Sverdlova, Kachkanar, Sverdlovskaya obl., 624351	
Russia	Blagotvoritelniy fond Evraza - Sibir	indirect subsidiary - non-commercial	-	1, ul. Ploshad Pobedy, Novokuznetsk, Kemerovskaya obl., 654006	
Russia	Blagotvoritelniy fond Evraza - Ural	indirect subsidiary - non-commercial	-	office 4, 39, ul. Karl Marks, Nizhny Tagil, Sverdlovskaya obl., 622001	
Russia	Brianskmetallresursy	indirect subsidiary	99.95%	14, ul. Staleliteinaya, Bryansk, 241035	
Russia	Centr kultury i iskusstva NTMK	indirect subsidiary - non-commercial	-	1, ul. Metallurgov, Nizhny Tagil, Sverdlovskaya obl., 622025	
Russia	Centr podgotovki personala Evraz-Ural	indirect subsidiary - non-commercial	-	1, ul. Metallurgov, Nizhny Tagil, Sverdlovskaya obl., 622025	
Russia	Centr Servisnykh Resheniy	indirect subsidiary	100.00%	1, ul. Rudokoprovaya, Novokuznetsk, Kemerovskaya obl., 654063	
Russia	Centralnaya Obogatitelnaya Fabrika Abashevskaya	indirect subsidiary	83.72%	12, Tupik Strelochny, Novokuznetsk, Kemerovskaya obl., 654086	excluding the effect of derecognition of 4.25% in Raspadskaya (Note 4)
Russia	Centralnaya Obogatitelnaya Fabrika Kuznetskaya	indirect subsidiary	90.90%	16, Shosse Severnoe, Novokuznetsk, Kemerovskaya obl., 654043	excluding the effect of derecognition of 4.25% in Raspadskaya (Note 4)
Russia	Elektrosvyaz YKU	indirect subsidiary	79.27%	33, Prospect Kurako, Novokuznetsk, Kemerovskaya obl., 654006	liquidated
Russia	EVRAZ Consolidated West-Siberian metallurgical Plant	indirect subsidiary	100.00%	16, ul. Shosse Kosmicheskoe, Novokuznetsk, Kemerovskaya obl., 654043	
Russia	EVRAZ Kachkanarsky Ore Mining and Processing Plant	indirect subsidiary	100.00%	2, ul. Sverdlova, Kachkanar, Sverdlovskaya obl., 624351	
Russia	EVRAZ Metall Inprom	indirect subsidiary	100.00%	2-a, ul. Marshala Zhukova, Taganrog, Rostovskaya obl., 347942	
Russia	EVRAZ Nizhny Tagil Metallurgical Plant	direct subsidiary	100.00%	1, ul. Metallurgov, Nizhny Tagil, Sverdlovskaya obl., 622025	

34. LIST OF SUBSIDIARIES AND OTHER SIGNIFICANT HOLDINGS (CONTINUED)

Country of incorporation	Name	Relationship	Ownership interest in 2020	Registered address	Notes
Russia	EVRAZ Uzlovaya	indirect subsidiary	100.00%	4, ul.Entuziastov, kvartal 5 Pyatiletka, Uzlovaya, Tulsкая obl., 301600	
Russia	EVRAZ Vanady Tula	indirect subsidiary	100.00%	1, ul. Przhevalskogo, Tula, 300016	
Russia	EVRAZ Yuzhny Stan	indirect subsidiary	100.00%	1, ul. Zarechnaya, rabochy poselok Ust-Donetsky, Ust-Donetsky raion, Rostovskaya obl., 346550	
Russia	Evrazenergotrans	indirect subsidiary	50.00%	4, ul. Rudokoprovaya, Novokuznetsk, Kemerovskaya obl., 654006	controlled through put option for the purchase of shares of Malvero Holdings Limited
Russia	EvrzHolding Finance	indirect subsidiary	100.00%	office 14; 62, ul. Internationalnaya, Kyzyl, Tyva Republic, 667000	
Russia	EvrzHolding LLC	indirect subsidiary	100.00%	4, ul. Belovezhskaya, Moscow, 121353	
Russia	EvrzService	indirect subsidiary	100.00%	4, ul. Belovezhskaya, Moscow, 121353	
Russia	Evrztekhnika	indirect subsidiary	100.00%	4, ul. Belovezhskaya, Moscow, 121353	
Russia	Ferro-Building	indirect subsidiary	80.00%	office 402A, 6, bld. 1, 1st Nagatinsky proezd, Moscow, 117105	
Russia	Gurievy sk rudnik	indirect subsidiary	100.00%	1, ul. Zhdanova, Gurievsk, Kemerovskaya obl., 652780	
Russia	Industrialnaya Vostochno-Evropeiskaya company	indirect subsidiary	100.00%	floor 5, office 1, 9, ul. Khimicheskaya, Taganrog, Rostovskaya obl., 347913	
Russia	KachkanarEnergoTrans	indirect subsidiary	50.00%	office 115; 2, ul. Sverdlova, Kachkanar, Sverdlovskaya obl., 624351	controlled through put option for the purchase of shares of Malvero Holdings Limited
Russia	Kachkanarskaya teplosnabzhashchaya company	indirect subsidiary	100.00%	17, 8 microrai on, Kachkanar, Sverdlovskaya obl., 624350	
Russia	Kulturno-sportivny sk centr metallurgov	indirect subsidiary - non-commercial	-	20, Prospect Metallurgov, Novokuznetsk, Kemerovskaya obl., 654006	
Russia	Kuznetskpozgruztrans	indirect subsidiary	85.90%	18, ul. Promyshlennaya, Novokuznetsk, Kemerovskaya obl., 654029	excluding the effect of derecognition of 4.25% in Raspadskaya (Note 4)
Russia	Kuznetskteplosbyt	indirect subsidiary	100.00%	4, ul. Rudokoprovaya, Novokuznetsk, Kemerovskaya obl., 654006	
Russia	Magnit	indirect subsidiary	-	4, ul. Sverdlova, Kachkanar, Sverdlovskaya obl., 624351	
Russia	Managing Company EVRAZ Mezhdurechensk	indirect subsidiary	100.00%	69, ul. Kirova, Novokuznetsk, Kemerovskaya obl., 654080	
Russia	Medsanchast Vanady	indirect subsidiary	100.00%	1, Zeleny Mys district, Kachkanar, Sverdlovskaya obl., 624350	
Russia	Metallenergofinance	indirect subsidiary	100.00%	4, ul. Rudokoprovaya, Novokuznetsk, Kemerovskaya obl., 654006	
Russia	Metservice	indirect subsidiary	100.00%	90, ul. Industrialnaya, Nizhny Tagil, Sverdlovskaya obl., 622000	
Russia	Mezhegeyugol Coal Company	indirect subsidiary	90.90%	62, ul. Internationalnaya, Kyzyl, Tyva Republic, 667000	excluding the effect of derecognition of 4.25% in Raspadskaya (Note 4)
Russia	Mine Abashevskaya	indirect subsidiary	90.90%	5, ul. Kavkazskaya, Novokuznetsk, Kemerovskaya obl., 654013	excluding the effect of derecognition of 4.25% in Raspadskaya (Note 4)

34. LIST OF SUBSIDIARIES AND OTHER SIGNIFICANT HOLDINGS (CONTINUED)

Country of incorporation	Name	Relationship	Ownership interest in 2020	Registered address	Notes
Russia	Mine Alardinskaya	indirect subsidiary	90.90%	56, ul. Ugolnaya, Malinovka, Kaitan, Kemerovskaya obl., 652831	excluding the effect of derecognition of 4.25% in Raspadskaya (Note 4)
Russia	Mine Esaulskaya	indirect subsidiary	90.90%	33, Prospect Kurako, Novokuznetsk, Kemerovskaya obl., 654006	excluding the effect of derecognition of 4.25% in Raspadskaya (Note 4)
Russia	Mine Osinnikovskaya	indirect subsidiary	90.90%	3, ul. Shakhtovaya, Osinniki, Kemerovskaya obl., 652804	excluding the effect of derecognition of 4.25% in Raspadskaya (Note 4)
Russia	Mine Uskovskaya	indirect subsidiary	90.90%	33, Prospect Kurako, Novokuznetsk, Kemerovskaya obl., 654006	excluding the effect of derecognition of 4.25% in Raspadskaya (Note 4)
Russia	Mining Metallurgical Company "Timir"	joint venture	51.00%	4, Prospect Geologov, Neryungri, Republic of Saha (Yakutia), 678960	
Russia	Montazhnik Raspadskoy	indirect subsidiary	90.90%	office 408; 106, ul. Mira, Mezhdurechensk, Kemerovskaya obl.,652870	excluding the effect of derecognition of 4.25% in Raspadskaya (Note 4)
Russia	Mordovmetallotorg	indirect subsidiary	99.90%	39, Aleksandrovscoe Shosse, Saransk, Respublca Mordovia, 430006	
Russia	MU-Invest	indirect subsidiary	90.90%	office 79, 4, ul. Belovezhskaya, Moscow, 121353	excluding the effect of derecognition of 4.25% in Raspadskaya (Note 4)
Russia	Nizhny Tagil Telecompany Telecon	indirect subsidiary	-	74, ul. Industrialnaya, Nizhny Tagil, Sverdlovskaya obl., 622034	
Russia	Novokuznetskmetalloptorg	associate	48.51%	16, ul. Chaikinoi, Novokuznetsk, Kemerovskaya obl., 654005	
Russia	Ohothichie hozaistvo	indirect subsidiary - non-commercial	-	1, ul. Metallurgov, Nizhny Tagil, Sverdlovskaya obl., 622025	
Russia	Olzherasskoye shakhtoprokhodcheskoye upravlenie	indirect subsidiary	90.90%	office 331; 106, ul. Mira, Mezhdurechensk, Kemerovskaya obl.,652870	excluding the effect of derecognition of 4.25% in Raspadskaya (Note 4)
Russia	Osinnikovskiy remontno-mekhanichesky zavod	indirect subsidiary	76.75%	1/2, ul. Pervogornaya, Osinniki, Kemerovskaya obl., 652804	excluding the effect of derecognition of 4.25% in Raspadskaya (Note 4)
Russia	Promugleproject	indirect subsidiary	90.90%	4, ul. Nevskogo, Novokuznetsk, Kemerovskaya obl., 654006	excluding the effect of derecognition of 4.25% in Raspadskaya (Note 4)
Russia	Publishing House IKaR	indirect subsidiary	-	4, ul. Sverdlova, Kachkanar, Sverdlovskaya obl., 624350	
Russia	Raspadskaya	direct subsidiary	90.90%	106, ul. Mira, Mezhdurechensk, Kemerovskaya obl.,652870	excluding the effect of derecognition of 4.25% in Raspadskaya (Note 4)
Russia	Raspadskaya Coal Company	indirect subsidiary	90.90%	office 201; 33, Prospect Kurako, Novokuznetsk, Kemerovskaya obl., 654006	excluding the effect of derecognition of 4.25% in Raspadskaya (Note 4)
Russia	Raspadskaya Preparation Plant	indirect subsidiary	90.90%	office 203; 106, ul. Mira, Mezhdurechensk, Kemerovskaya obl.,652870	excluding the effect of derecognition of 4.25% in Raspadskaya (Note 4)
Russia	Raspadskaya-Koksovaya	indirect subsidiary	90.90%	office 424; 106, ul. Mira, Mezhdurechensk, Kemerovskaya obl.,652870	excluding the effect of derecognition of 4.25% in Raspadskaya (Note 4)

34. LIST OF SUBSIDIARIES AND OTHER SIGNIFICANT HOLDINGS (CONTINUED)

Country of incorporation	Name	Relationship	Ownership interest in 2020	Registered address	Notes
Russia	Razrez Raspadskiy	indirect subsidiary	90.90%	office 213; 106, ul. Mira, Mezhdurechensk, Kemerovskaya obl., 652870	excluding the effect of derecognition of 4.25% in Raspadskaya (Note 4)
Russia	Regional Media Company	indirect subsidiary	-	4, ul. Belovezhskaya, Moscow, 121353	
Russia	Regionalniy Centr podgotovki personala Evraz-Sibir	indirect subsidiary - non-commercial	-	4, ul. Nevskogo, Novokuznetsk, Kemerovskaya obl., 654006	
Russia	Rembytcomplex	indirect subsidiary	100.00%	8, 8 microraion, Kachkanar, Sverdlovskaya obl., 624351	
Russia	Sanatoriy-porfilactory Lenevka	indirect subsidiary - non-commercial	-	Nikolopoltavskoye post-office, Lenevka, Prigorodny district, Sverdlovskaya obl., 622911	
Russia	Sfera	indirect subsidiary	100.00%	office 315; 205, ul. 8 Marta, Ekaterinburg, Sverdlovskaya obl., 620085	
Russia	Sibir-VK	joint venture	50.00%	office 302, 37A, ul. Kutuzova, Novokuznetsk, Kemerovskaya obl., 654041	
Russia	Sibmetinvest	indirect subsidiary	100.00%	office 10; 1, 1st km of Rublevo-Uspenskoye shosse, der. Razdory, Odintsovo area, Moscow region, 143082	
Russia	Specializirovanniy registrator KOMPAS	investment	11.16%	57, Prospect Stroiteley, Novokuznetsk, Kemerovskaya obl., 654005	sold
Russia	Specializirovannoye Shakhtomontazhno-naladochnoye upravlenie	indirect subsidiary	45.12%	28, proezd Zashitny, Novokuznetsk, Kemerovskaya obl., 654034	controlled through put option for the purchase of shares of Malvero Holdings Limited
Russia	Sportivniy complex Uralets	indirect subsidiary - non-commercial	-	36, Gvardeisky bulvar, Nizhny Tagil, Sverdlovskaya obl., 622005	
Russia	Sportivno-Ozdorovitelny complex Metallurg-Forum	indirect subsidiary - non-commercial	-	office 26; 61, ul. Krasnogvardeiskaya, Nizhny Tagil, Sverdlovskaya obl., 622013	
Russia	Tagilteplosbyt	indirect subsidiary	100.00%	78A, ul. Industrialnaya, Nizhny Tagil, Sverdlovskaya obl., 622059	
Russia	Tomusinskoye pogruzochno-transportnoye upravlenie	indirect subsidiary	53.26%	office 209; 106, ul. Mira, Mezhdurechensk, Kemerovskaya obl., 652870	excluding the effect of derecognition of 4.25% in Raspadskaya (Note 4)
Russia	Trade Company EvrazHolding	indirect subsidiary	100.00%	4, ul. Belovezhskaya, Moscow, 121353	
Russia	TV-Most	indirect subsidiary	-	office 164, 31, Moscovsky prospect, Kemerovo, 650065	
Russia	TVN	indirect subsidiary	-	office 16; 35, ul. Ordzhonikidze, Novokuznetsk, Kemerovskaya obl., 654007	
Russia	Uliyanovskmetall	indirect subsidiary	99.37%	20, 11 proezd Inzhenerny, Ulyanovsk, 432072	
Russia	United accounting systems	indirect subsidiary	100.00%	office 205; 1, ul. Rudokoprovaya, Novokuznetsk, Kemerovskaya obl., 654063	liquidated
Russia	United Coal Company Yuzhkuzbassugol	indirect subsidiary	90.90%	33, Prospect Kurako, Novokuznetsk, Kemerovskaya obl., 654006	excluding the effect of derecognition of 4.25% in Raspadskaya (Note 4)
Russia	Upravlenie po montazhu, demontazhu i remontu gornoshakhtnogo oborudovaniya	indirect subsidiary	90.90%	3, ul. Shakhtovaya, Osinniki, Kemerovskaya obl., 652804	excluding the effect of derecognition of 4.25% in Raspadskaya (Note 4)
Russia	Vanady-transport	indirect subsidiary	100.00%	2, ul. Sverdlova, Kachkanar, Sverdlovskaya obl., 624351	
Russia	Vladimirmetalloptorg	indirect subsidiary	95.64%	57, ul. P. Osipenko, Vladimir, 600009	
Russia	Vtorresurs-Pererabotka	joint venture	50.00%	37A, ul. Kutuzova, Novokuznetsk, Kemerovskaya obl., 654041	

34. LIST OF SUBSIDIARIES AND OTHER SIGNIFICANT HOLDINGS (CONTINUED)

Country of incorporation	Name	Relationship	Ownership interest in 2020	Registered address	Notes
Russia	Yuzhno-Kuzbasskoye geologorazvedochnoye upravlenie	indirect subsidiary	90.90%	33, Prospect Kurako, Novokuznetsk, Kemerovskaya obl., 654006	excluding the effect of derecognition of 4.25% in Raspadskaya (Note 4)
Russia	ZAO Irkutskvtorchermet	associate	21.31%	office 212, bld. ZAO Vtorchermet, ul. Severny Promuzel, Irkutsk, 664053	
Russia	ZAO Vtorchermet	associate	21.31%	office 211, bld. ZAO Vtorchermet, ul. Severny promuzel, Irkutsk, 664053	
Russia	Zapadnye Vorota	indirect subsidiary	100.00%	4, ul. Belovezhskaya, Moscow, 121353	
Russia	Zavod metallurgicheskikh reagentov	associate	50.00%	1, ul. Metallurgov, Nizhny Tagil, Sverdlovskaya obl., 622025	
Switzerland	East Metals A.G.	indirect subsidiary	100.00%	Baarerstrasse 131, 6300 Zug	
Switzerland	East Metals Shipping A.G.	indirect subsidiary	100.00%	Baarerstrasse 131, 6300 Zug	
United Kingdom	EVRAZ North America plc	indirect subsidiary	100.00%	Suite 1, 3rd Floor, 11-12 St James's Square London SW1 4LB	
USA	CF&I Steel LP	indirect subsidiary	90.00%	1612 E Abriendo Pueblo, CO 81004	
USA	Colorado and Wyoming Railway Company	indirect subsidiary	90.00%	2100 S. Freeway Pueblo, CO 81004	
USA	East Metals North America, LLC	indirect subsidiary	100.00%	71 S.Wacker, Suite 1700, Chicago, IL 60606	
USA	East Metals Services Inc.	indirect subsidiary	100.00%	71 S.Wacker, Suite 1700, Chicago, IL 60606	liquidated
USA	EVRAZ Claymont Steel, Inc.	indirect subsidiary	100.00%	71 S.Wacker, Suite 1700, Chicago, IL 60606	
USA	EVRAZ Inc. NA	indirect subsidiary	100.00%	71 S.Wacker, Suite 1700, Chicago, IL 60606	
USA	EVRAZ Trade NA LLC	indirect subsidiary	100.00%	71 S.Wacker, Suite 1700, Chicago, IL 60606	
USA	Fremont County Irrigating Ditch Co.	investment	13.50%	113 W. 5th Street Florence, CO 81226	
USA	General Scrap Inc.	indirect subsidiary	100.00%	3101 Valley Street Minot, ND 58702	
USA	New CF&I Inc.	indirect subsidiary	90.00%	1612 E Abriendo Pueblo, CO 81004	
USA	Oregon Ferroalloy Partners	indirect subsidiary	60.00%	14400 Rivergate Blvd. Portland, OR 97203	
USA	Oregon Steel Mills Processing Inc.	indirect subsidiary	100.00%	71 S.Wacker, Suite 1700, Chicago, IL 60606	
USA	OSM Distribution Inc.	indirect subsidiary	100.00%	71 S.Wacker, Suite 1700, Chicago, IL 60606	liquidated
USA	Palmer North America LLC	indirect subsidiary	90.00%	251 Little Falls Drive, Wilmington, Delaware 19808	
USA	Union Ditch and Water Co.	indirect subsidiary	57.59%	113 W. 5th Street Florence, CO 81226	

SEPARATE FINANCIAL STATEMENTS WITH NOTES

Separate statement of comprehensive income

(In millions of US dollars)

	Notes	31 December	
		2020	2019
General and administrative expenses		\$ (12)	\$ (11)
Operating income	6	10	9
Impairment of investments	3	(76)	(318)
Foreign exchange gains/(losses)	6,9	(49)	(199)
Interest expense	3,6,7,8	(239)	(211)
Gain/(loss) on financial assets or liabilities	7	–	(6)
Dividend income	6	2,129	9,732
Other non-operating gains/(losses)	6	2	33
Profit before tax		1,765	9,029
Current income tax expense	9	(213)	(139)
Net profit		1,552	8,890
Total comprehensive income		\$ 1,552	\$ 8,890

The accompanying notes form an integral part of these separate financial statements.

Separate statement of financial position

(In millions of US dollars)

		31 December	
	Notes	2020	2019
ASSETS			
Non-current assets			
Investments in subsidiaries	3	\$ 15,057	\$ 15,095
Investments in joint ventures	3	23	22
Receivables from related parties	6	12	19
		15,092	15,136
Current assets			
Receivables from related parties	6	12	9
Dividends receivable from related parties	6	704	629
Income tax receivable	9	16	16
		732	654
TOTAL ASSETS		15,824	15,790
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	4	75	75
Treasury shares	4	(154)	(169)
Reorganisation reserve	4	(584)	(584)
Merger reserve	4	127	127
Share-based payments	5	173	162
Accumulated profits		9,835	9,170
		9,472	8,781
LIABILITIES			
Non-current liabilities			
Trade and other payables	8	4	7
Long-term loans	7	1,961	2,747
Loans payable to related parties	6	3,201	522
Financial guarantee liabilities	6	12	19
		5,178	3,295
Current liabilities			
Trade and other payables	3,8	4	7
Payables to related parties	6	6	3,151
Short-term loans and current portion of long-term loans	7	800	63
Loans payable to related parties	6	285	424
Financial guarantee liabilities	6	9	7
Income tax payable	9	70	62
		1,174	3,714
TOTAL LIABILITIES		6,352	7,009
TOTAL EQUITY AND LIABILITIES		\$ 15,824	\$ 15,790

The Financial Statements on pages 236 to 249 were approved by the Board of Directors on 24 February 2021 and signed on its behalf by Alexander Frolov, Chief Executive Officer.

The accompanying notes form an integral part of these separate financial statements.

Separate statement of cash flows

(In millions of US dollars)

	Notes	2020	2019
Cash flows from operating activities			
Net profit		\$ 1,552	\$ 8,890
<i>Adjustments to reconcile net loss to net cash flows from operating activities:</i>			
Impairment of investments	3	76	318
Foreign exchange (gains)/losses	6	49	199
Interest expense	3,6,7	239	211
(Gain)/loss on financial assets or liabilities	7	-	6
Dividend income	6	(2,129)	(9,732)
Other non-operating (gains)/losses	6	(2)	(33)
		(215)	(141)
<i>Changes in working capital:</i>			
Payables/receivables from related parties	6	(64)	(1)
Income tax receivable	9	-	(16)
Trade and other payables	8	(7)	(7)
Taxes payable		213	140
Net cash flow used in operating activities		(73)	(25)
Cash flows from investing activities			
Dividends received	6	1,777	784
Payment for acquisition of investments in subsidiaries	6	(47)	-
Net cash flow from investing activities		1,730	784
Cash flows from financing activities			
Proceeds from bank loans and notes	7	-	695
Repayment of bank loans and notes, including interest	7	(188)	(854)
Proceeds from loans provided by related parties	6	1,345	1,736
Repayment of loans provided by related parties, including interest	6	(1,947)	(1,241)
Payments for investments on deferred terms, including interest	3	-	(8)
Dividends paid to shareholders	4	(872)	(1,086)
Net cash flow used in/(from) financing activities		(1,662)	(758)
Effect of foreign exchange rate changes on cash and cash equivalents			
		5	(1)
Net decrease in cash and cash equivalents			
		-	-
Cash and cash equivalents at the beginning of the year			
		-	-
Cash and cash equivalents at the end of the year		\$ -	\$ -
Supplementary cash flow information:			
Interest paid to third parties	7	(173)	(129)
Interest paid to related parties	6	(102)	(71)
Income taxes paid		-	(16)

The accompanying notes form an integral part of these separate financial statements.

Separate statement of changes in equity

(In millions of US dollars)

	Notes	Issued capital	Treasury shares	Reorganisation reserve	Merger reserve	Share-based payments	Accumulated profits	Total
At 31 December 2018								
		\$ 75	\$ (196)	\$ (584)	\$ 127	\$ 149	\$ 1,393	\$ 964
Total comprehensive loss for the year								
		-	-	-	-	-	8,890	8,890
Share-based payments	5	-	-	-	-	13	-	13
Dividends declared	4	-	-	-	-	-	(1,086)	(1,086)
Transfer of treasury shares to participants of the Incentive Plans	4	-	27	-	-	-	(27)	-
At 31 December 2019		\$ 75	\$ (169)	\$ (584)	\$ 127	\$ 162	\$ 9,170	\$ 8,781
Total comprehensive income for the year								
		-	-	-	-	-	1,552	1,552
Share-based payments	5	-	-	-	-	11	-	11
Dividends declared	4	-	-	-	-	-	(872)	(872)
Transfer of treasury shares to participants of the Incentive Plans	4	-	15	-	-	-	(15)	-
At 31 December 2020		\$ 75	\$ (154)	\$ (584)	\$ 127	\$173	\$ 9,835	\$ 9,472

The accompanying notes form an integral part of these separate financial statements.

EVRAZ plc

Notes to the separate financial statements

Year ended 31 December 2020

1. CORPORATE INFORMATION

These separate financial statements were authorised for issue by the Board of Directors of EVRAZ plc on 24 February 2021.

EVRAZ plc (“EVRAZ plc” or “the Company”) was incorporated on 23 September 2011 as a public company limited by shares under the laws of the United Kingdom. The Company was incorporated under the Companies Act 2006 with the registered number in England 7784342. The Company’s registered address is 2 Portman street, London, W1H 6DU, United Kingdom.

The Company, together with its subsidiaries (the “Group”), is involved in the production and distribution of steel and related products, vanadium products and coal and iron ore mining. The Group is one of the largest steel producers globally.

At 31 December 2020 and 2019, EVRAZ plc was jointly controlled by a group of 3 shareholders: Greenleas International Holdings Limited (BVI), Abiglaze Limited (Cyprus) and Crosland Global Limited (Cyprus).

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These separate financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

International financial reporting standards are issued by the International Accounting Standard Board (“IASB”).

These financial statements have been prepared on a going concern basis as the directors believe that there are no material uncertainties which could create a significant doubt as to the Company’s ability to continue as a going concern in the foreseeable future.

Foreign Currency Transactions

The presentation and functional currency of the Company is the US dollar. Transactions in foreign currencies are initially recorded in US dollars at the rate on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Investments

Investments in subsidiaries, associates or joint ventures are initially recorded at acquisition cost. Impairment in value is recorded if the carrying value of an investment exceeds its recoverable amount.

The initial cost of the investment in Evraz Group S.A. was measured at the carrying amount of the equity items of Evraz Group S.A. as a separate legal entity at the date of the reorganisation (Note 3).

Dividend income is recognised as revenue when the Company’s right to receive the payment is established.

All purchases and sales of investments are recognised on the settlement date, which is the date when the investment is delivered to or by the Company.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Borrowings

Borrowings are initially recognised at fair value, net of directly attributable transaction costs. After initial recognition, borrowings are measured at amortised cost using the effective interest rate method; any difference between the amount initially recognised and the redemption amount is recognised as interest expense over the period of the borrowings.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Guarantee Liabilities

Financial guarantee liabilities issued by the Company are those contracts that require a payment to be made to reimburse the incurred losses because the specified debtor or counterparty to a contract fails to make payments or to perform the agreed terms of a contract. Financial guarantees issued by the Company are recognised initially as a liability at fair value, being equal to the estimated future cash inflows receivable from the subsidiaries under the guarantee agreements, with a corresponding recognition of the same amount as receivables from related parties. Subsequently, the liability is amortised over the lives of the guarantees through the statement of comprehensive income, unless it is considered probable that a guarantee will be called, in which case it is measured at the value of the guaranteed amount payable, if higher.

3. INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES

Investments in subsidiaries and joint ventures consisted of the following as of 31 December:

	Ownership interest		Cost, net of impairment US\$ million	
	2020	2019	2020	2019
<i>Subsidiaries</i>				
Evraz Group S.A.	100%	100%	2,808	2,884
EVRAZ NTMK	100%	100%	10,781	10,771
Raspadskaya	90.90%	88.16%	1,468	1,440
			15,057	15,095
<i>Joint Ventures</i>				
Timir	51.00001%	51.00001%	23	22

The movement in investments was as follows:

\$US million	Evraz Group S.A.	NTMK	Raspadskaya	Timir	Total
31 December 2018	\$ 3,197	\$ –	\$ –	\$ 24	\$ 3,221
Additional investments	–	10,761	1,440	–	12,201
Impairment loss (recognition)/reversal	(316)	–	–	(2)	(318)
Share-based compensations	3	10	–	–	13
31 December 2019	\$ 2,884	\$ 10,771	\$ 1,440	\$ 22	\$ 15,117
Additional investments	–	–	28	–	28
Impairment loss (recognition)/reversal	(77)	–	–	1	(76)
Share-based compensations	1	10	–	–	11
31 December 2020	\$2,808	\$ 10,781	\$1,468	\$ 23	\$15,080

The Company recognises share-based payments made to employees of subsidiaries under control of Evraz Group S.A., EVRAZ NTMK and Raspadskaya as an addition to the cost of its investments in these subsidiaries (Note 5).

The accumulated impairment of the investments was as follows:

\$US million	Evraz Group S.A.	EVRAZ NTMK	Raspadskaya	Timir	Total
31 December 2018	\$ –	\$ –	\$ –	\$ (125)	\$ (125)
Impairment loss (recognition)/reversal	(316)	–	–	(2)	(318)
31 December 2019	\$ (316)	\$ –	\$ –	\$ (127)	\$ (443)
Impairment loss (recognition)/reversal	(77)	–	–	1	(76)
31 December 2020	\$ (393)	\$ –	\$ –	\$ (126)	\$ (519)

Evraz Group S.A.

In 2011, the Company acquired Evraz Group S.A. by means of the share exchange offer made by the Company to the shareholders of Evraz Group S.A. At that date the cost of investments in Evraz Group S.A. was measured at the carrying amount of the equity items shown in the separate accounts of Evraz Group S.A. at the dates of the share exchange. In 2020 and 2019, the Company impaired its investment in Evraz Group S.A. largely as a consequence of the decline in value of cash-generating units of EVRAZ Inc. NA Canada. More details are provided in Note 6 of the consolidated financial statements.

EVRAZ NTMK

On 18 April 2019, the Company acquired 100% ownership interest in EVRAZ NTMK from Evraz Group S.A. for consideration of \$10,761 million, which was partially settled by non-cash consideration (Note 6). At 31 December 2019, the Company owed \$2,899 million to Evraz Group S.A. in respect of this acquisition. In 2020, the Company paid \$25 million under these liabilities and the remaining balance was converted into a loan (Note 6).

3. INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES (CONTINUED)

Raspadskaya

On 18 April 2019, the Company acquired 84.33% ownership interest in Raspadskaya from Evraz Group S.A. for consideration of \$1,423 million, which was settled wholly by non-cash consideration (Note 6). Later in 2019, the Company acquired 1.33% in Raspadskaya from Evraz Group S.A. for cash consideration of \$17 million, which in 2020 was converted into a loan payable to Evraz Group S.A. in the amount of \$15 million (Note 6).

In 2020, the Company acquired an additional 2.74% interest in Raspadskaya from Evraz Group S.A. for cash consideration of \$28 million of which \$22 million was paid in cash (Note 6).

OJSC Mining and Metallurgical Company Timir

Since 2013 the Company has owned a 51% ownership interest in the joint venture with Alrosa for the development of iron ore deposits in the Yakutia region in Russia. The Company's consideration for this stake of 4,950 million roubles was recognised in the amount of \$149 million being the present value of the expected cash outflows at the exchange rate as of the date of the transaction. During 2013-2019 the Company paid deferred installments for this acquisition. In 2019, the Company paid the final tranche of 480 million roubles (\$7 million of purchase consideration and \$1 million of interest charges).

In 2016 and before, due to the postponement of the major project activities, the Company impaired its investment in Timir. In 2019, the Company additionally impaired \$2 million and in 2020 a \$1 million impairment loss was reversed.

Additional information regarding Timir is provided in Note 11 of the consolidated financial statements.

Indirect Subsidiaries and Other Significant Holdings

The full list of indirect subsidiaries and other significant holdings of EVRAZ plc is presented in Note 34 of the consolidated financial statements.

4. EQUITY

Share Capital

	31 December	
Number of shares	2020	2019
Ordinary shares of \$0.05 each, issued and fully paid	1,506,527,294	1,506,527,294

EVRAZ plc does not have an authorised limit on its share capital.

Treasury Shares

	31 December	
Number of shares	2020	2019
Treasury shares	49,654,691	54,620,233

In 2015, EVRAZ plc purchased 108,458,508 of its own shares. These shares are used for the Company's Incentive Plans (Note 21 of the consolidated financial statements). Under these plans, in 2020 and 2019, the Company transferred to the participants of Incentive Plans 4,965,542 and 8,556,954 shares, respectively.

Reorganisation Reserve

Reorganisation reserve represents the difference between the net assets of Evraz Group S.A. at the date of the Group's reorganisation (7 November 2011) and the par value of the issued shares of EVRAZ plc. This charge to equity reduced the amount of distributable reserves.

Merger Reserve

The merger reserve arose in 2013 in connection with the purchase of 50% in Corber Enterprises S.à r.l. ("Corber") in accordance with section 612 of the Companies Act 2006. Impairments of the carrying value of this investment were transferred to the merger reserve.

In 2015, the disposal of the investment in Corber to Evraz Group S.A. (Note 3) was made for non-cash consideration, which does not meet the criteria for qualifying consideration. The balance of the merger reserve will be presented as a separate component of equity in the Company's statement of financial position until such time as Evraz Group S.A. is sold for qualifying consideration, and the merger reserve will be re-allocated to accumulated profits and become distributable.

4. EQUITY (CONTINUED)

Dividends

In 2020 and 2019, the Company declared dividends in the amount of \$872 million and \$1,086 million, respectively (Note 20 of the consolidated financial statements).

Distributable Reserves

\$US million	2020	2019
Accumulated profits	9,835	9,170
Reorganisation reserve	(584)	(584)
Unrealised profits	(8,200)	(8,200)
31 December	1,051	386

Dividend income from Evraz Group S.A. (Note 6) did not constitute a qualifying consideration and was distributed out of the profit resulting from sale of assets (EVRAZ NTMK and Raspadskaya) to parent and, therefore, this income is excluded from the Company's distributable reserves at 31 December 2020 and 2019.

Although distributable reserves are currently calculated at \$1,051 million (2019: \$386 million), the Company has also considered the impact of further restrictions on distributions for public companies within Section 831 of the Companies Act. Under these restrictions the amount of reserves available for distribution at 31 December 2020 would be \$1,051 million (2019: \$379 million).

In February 2020 the directors became aware that certain dividends paid in 2018 and 2019 totaling \$1,447 million had been made otherwise than in accordance with the Companies Act 2006. The directors duly checked the sufficiency of distributable reserves before each distribution, but due to an administrative error the interim accounts were not filed at Companies House prior to payment. To rectify these breaches, in February 2020 the Company filed the interim accounts in respect of each dividend payment. In addition, a special resolution was planned to be proposed at the Annual General Meeting of the Company's shareholders in June 2020 to authorise the appropriation of distributable profits for the payment of the relevant dividends and remove any right for the Company to pursue shareholders or directors (the 'Director Release') for repayment. Due to the uncertainty caused by the effect of COVID-19 on the Company's ability to conduct in-person meeting of shareholders this resolution was postponed to a more convenient time. It is expected that the special resolution will be proposed at the Annual General Meeting of the Company's shareholders in June 2021. The Director Release will constitute a related party transaction under the Listing Rules of the UK Listing Authority and under IFRS. The overall effect of the special resolution will be to return all parties to the position they would have been in had the relevant dividends been made in full compliance with the Companies Act 2006.

5. SHARE-BASED PAYMENTS

As disclosed in Note 21 of the consolidated financial statements, the Group has incentive plans under which certain employees ("participants") can be gifted shares of the Company. In 2020 and 2019, the Company recognised share-based compensation expense amounting to \$11 million and \$13 million, respectively, as a cost of investments in subsidiaries with a corresponding increase in equity.

6. RELATED PARTY TRANSACTIONS

Related parties of the Company include its direct and indirect subsidiaries, associates and joint venture partners, key management personnel and other entities that are under the control or significant influence of the key management personnel, the Company's parent or its shareholders.

Loans Received from Related Parties

The following movements in loans payable to related parties were in 2019-2020.

US\$ million	Currency	Interest rate	Maturity	Balance at 31 December 2019	Loans received from related parties	Interest expense	Repayment of loans	Non-cash transactions	Forex (gain)/loss	Balance at 31 December 2020
Direct subsidiary										
Evraz Group S.A.	USD	1.93-4.95%	2021-2023	\$ 528	\$815	\$ 89	\$ (596)	\$ 1,900	\$ –	\$2,736
Evraz Group S.A.	RUB	6.4%	2020	–	–	2	(459)	474	(17)	–
Indirect subsidiaries										
East Metals A.G.	USD	3.00-5.06%	2020	418	466	8	(892)	–	–	–
EVRAZ ZSMK	RUB	4.56%	2021	–	64	–	–	(66)	2	–
ENA plc	USD	1.93%	2023	–	–	–	–	750	–	750
				\$ 946	\$ 1,345	\$ 99	\$ (1,947)	\$ 3,058	\$(15)	\$ 3,486

6. RELATED PARTY TRANSACTIONS (CONTINUED)

Loans Received from Related Parties (continued)

US\$ million	Currency	Interest rate	Maturity	Balance at 31 December 2018	Loans received from related parties	Interest expense	Repayment of loans	Non-cash transactions	Forex (gain)/loss	Balance at 31 December 2019
Direct subsidiary										
Evraz Group S.A.	USD	3.50%	2022	\$ –	\$ 543	\$ 6	\$ (21)	\$ –	\$ –	\$ 528
Indirect subsidiaries										
East Metals A.G.	USD	2.73-5.06%	2018-2020	62	466	11	(121)	–	–	418
EVRAZ KGOK	RUB	5.89%	2019-2020	648	368	27	(126)	(973)	56	–
Sibmetinvest	RUB	5.51%	2020	–	65	2	–	(69)	2	–
EVRAZ Vanady Tula	RUB	5.51-5.89%	2019	244	100	7	(101)	(271)	21	–
EVRAZ ZSMK	RUB	5.51-5.89%	2019-2021	1,263	194	44	(872)	(719)	90	–
				\$ 2,217	\$ 1,736	\$ 97	\$ (1,241)	\$ (2,032)	\$ 169	\$ 946

In 2020, non-cash transactions included the following:

- In January 2020, a US dollar-denominated loan, which was received from Evraz Group S.A. in 2019, amounting to \$474 million was converted into a loan denominated in roubles.
- In March 2020, EVRAZ plc and Evraz Group S.A. signed an assignment agreement and the outstanding balances payable to Evraz Group S.A. for the purchase of EVRAZ NTMK and Raspadskaya (Note 3) and for the transfer of loans in 2019 were converted into a loan in the amount of \$3,124 million.
- In April 2020, EVRAZ plc transferred to Evraz Group S.A. its obligations under loans payable to EVRAZ ZSMK amounting to \$66 million for consideration of \$64 million. An amount of \$2 million was recognised as non-operating gain in the separate statement of comprehensive income.
- In December 2020, Evraz Group S.A. reassigned \$750 million under a loan receivable from EVRAZ plc to ENA plc.

In 2019, non-cash transactions included the transfer of the Company’s obligations under loans payable with a carrying value of \$2,032 million to Evraz Group S.A. for consideration of \$1,999 million. The excess of the carrying value of the liabilities transferred over the newly recognised liability to Evraz Group S.A. amounting to \$33 million was recognised as a gain in the income statement within the Other non-operating gains/(losses) caption.

Dividend Income

	Evraz Group S.A.	EVRAZ NTMK	Raspadskaya	Total
Dividends receivable at 31 December 2018	\$ –	\$ –	\$ –	\$ –
Dividend income accrued in 2019	8,200	1,509	23	9,732
Dividends received by cash	–	(763)	(21)	(784)
Tax withheld	–	(85)	(2)	(87)
Non-cash offset	(8,200)	–	–	(8,200)
Foreign exchange gain/(loss)	–	(32)	–	(32)
Dividends receivable at 31 December 2019	\$ –	\$ 629	\$ –	\$ 629
Dividend income accrued in 2020	–	2,083	46	2,129
Dividends received by cash	–	(1,735)	(42)	(1,777)
Tax withheld	–	(193)	(4)	(197)
Non-cash offset	–	–	–	–
Foreign exchange gain/(loss)	–	(80)	–	(80)
Dividends receivable at 31 December 2020	\$ –	\$ 704	\$ –	\$ 704

In 2019, the Company’s dividend income consisted of dividends from Evraz Group S.A. (\$8,200 million declared in August 2019 and settled by a non-cash offset), EVRAZ NTMK (\$886 million declared in July 2019 and fully paid by cash and \$623 million declared in December 2019 and not paid as of 31 December 2019) and from Raspadskaya (\$23 million declared in September 2019 and fully paid by cash).

In February, June, August and December 2020, EVRAZ NTMK, the Company’s wholly-owned subsidiary, declared dividends in the amount of 31.9 billion roubles (\$499 million), 38.4 billion roubles (\$556 million), 23.6 billion roubles (\$324 million) and 52.4 billion roubles (\$704 million), respectively. As of 31 December 2020, dividends declared in December 2020 amounted to \$704 million were not paid to EVRAZ plc.

In May and September 2020, EVRAZ plc received its share in the dividends declared and fully paid by Raspadskaya in the amount of 1.7 billion roubles (\$24 million) and 1.7 billion roubles (\$22 million), repectively.

6. RELATED PARTY TRANSACTIONS (CONTINUED)

Offset of Liabilities with Evraz Group S.A.

During 2020 there were a number of transactions between EVRAZ plc and its direct subsidiary Evraz Group S.A.:

- In February 2020, EVRAZ plc repaid \$25 milion to Evraz Group S.A. in respect of the liabilities for the purchase of EVRAZ NTMK (Note 3). In March 2020, EVRAZ plc and Evraz Group S.A. signed an assignment agreement and the remaining balances payable to Evraz Group S.A. for the purchase of EVRAZ NTMK and Raspadskaya (Note 3) and for the transfer of loans were converted into a loan amounting to \$3,124 million. An amount of \$2 million was recognised as foreign exchange gain in the separate statement of comprehensive income (Note 6, *Loans Received from Related Parties*);
- In April 2020, EVRAZ plc transferred to Evraz Group S.A. its obligations under loans payable to EVRAZ ZSMK amounting to \$66 million for consideration of \$64 (Note 6, *Loans Received from Related Parties*);
- During 2020 EVRAZ plc purchased Raspadskaya shares from Evraz Group S.A. for total consideration of \$28 million of which \$6 million were not settled at 31 December 2020.

During 2020 EVRAZ plc and Evraz Group S.A. concluded agreements, under which the above mentioned mutual payment obligations were offset resulting in a net liability payable to Evraz Group S.A. in the amount of \$6 million.

During 2019 the following transactions were executed by EVRAZ plc and Evraz Group S.A.:

- EVRAZ plc purchased EVRAZ NTMK and Raspadskaya from Evraz Group S.A. for total consideration of \$12,201 million (Note 3);
- EVRAZ plc transferred its obligations under loans payable to EVRAZ KGOK, EVRAZ Vanady Tula, EVRAZ ZSMK, Sibmetinvest for consideration of \$1,999 million (Note 6, *Loans Received from Related Parties*);
- Evraz Group S.A. transferred to EVRAZ plc notes payable for consideration of \$2,850 million (Note 7);
- Evraz Group S.A. declared dividends to EVRAZ plc in the amount of \$8,200 million (Note 6, *Dividend Income*).

During 2019 EVRAZ plc and Evraz Group S.A. concluded agreements, under which the above mentioned mutual payment obligations were offset resulting in a net liability payable to Evraz Group S.A. in the amount of \$3,151 million, which comprised of \$2,916 million allocated to payables for the purchase of EVRAZ NTMK and Raspadskaya and \$235 million allocated to payables for the transfer of loans payable to related parties.

Guarantees

The guarantees issued by Company to related parties were as follows at 31 December:

US\$ million			2020			2019		
Debtor	Subject of guarantee	Maturity at 31 December 2020	Guaranteed amount (principal)	Financial guarantee liability	Guarantee fees earned	Guaranteed amount (principal)	Financial guarantee liability	Guarantee fees earned
East Metals A.G.	Bank loans	2021	\$ 193	\$ –	\$ 1	\$ 141	\$ –	\$ 1
EVRAZ NTMK/ EVRAZ ZSMK	Bank loans	2021-2028	1,458	10	3	1,191	4	2
Evrazholding Finance	Rouble bonds	not determined	280	3	2	323	5	1
Evraz Group S.A.	Loan to East Metals A.G.	2021-2024	486	–	1	169	–	1
Management Company Mezhdurechensk	Performance of services	2023	203	8	3	486	17	4
EVRAZ Nikom a.s.	Bank loans	not determined	14	–	–	17	–	–
			\$ 2,634	\$ 21	\$ 10	\$ 2,327	\$ 26	\$ 9

The above guarantees are recognised at fair value in the statement of financial position of the Company. The guarantee fees are recorded within the Operating income caption of the Company’s income statement.

In 2018, the Company issued a guarantee to nine companies owned by Sibuglemet to compensate any direct losses caused by the failure to perform the agreed management services provided by Management Company Mezhdurechensk, an indirect subsidiary of the Company, to these entities (Note 30 of the consolidated financial statements). In 2018, the Company recognised financial guarantee liability of \$18 million. In 2020 and 2019, the Company accrued \$3 million and \$4 million income, respectively, under this guarantee. In May 2020, the Group issued a notification about termination of the management services contract from 15 November 2020. The guarantee will continue to be effective 3 years after the date of termination.

Other Transactions

In 2020, Evrazholding, an indirect subsidiary of the Company, rendered consulting services to the Company in the amount of \$Nil (2019: \$1 million).

Other disclosures on directors' remuneration required by Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts & Reports) regulations 2008 and those specified for audit by the Directors' Remuneration Report Regulations 2002 are included in the Directors' Remuneration Report.

7. LOANS AND BORROWINGS

The Company had the following loans and borrowings during 2019-2020.

\$US million	6.50% notes due 2020	8.25% notes due 2021	6.75% notes due 2022	5.375% notes due 2023	5.25% notes due 2024	Total
31 December 2018	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
Non-cash changes:						
Recognition of notes at fair value	738	808	528	776	–	2,850
Interest and other charges expensed	4	29	20	32	28	113
Accrual of premiums and other charges on early repayment of borrowings	6	–	–	–	–	6
Cash changes:						
Cash proceeds from bank loans and notes, net of debt issues costs	–	–	–	–	695	695
Repayment of interest and premiums on early repayment	(48)	(31)	(17)	(40)	(18)	(154)
Repayment of principal	(700)	–	–	–	–	(700)
31 December 2019	\$ –	\$ 806	\$ 531	\$ 768	\$ 705	\$ 2,810
Non-cash changes:	–					
Interest and other charges expensed		36	26	39	38	139
Cash changes:						
Repayment of interest and premiums on early repayment	–	(62)	(34)	(40)	(37)	(173)
Repayment of principal	–	(15)	–	–	–	(15)
31 December 2020	\$ –	\$ 765	\$523	\$ 767	\$706	\$ 2,761

On 13 March 2019, Evraz Group S.A. transferred all its rights and obligations under the notes with a nominal amount of \$2,700 million to EVRAZ plc for consideration of \$2,850 million being the market value of the notes at that date. The Company recognised the liabilities at fair value and classified them as subsequently measured at amortised cost.

In April 2019, EVRAZ plc issued 5.25% US dollar-denominated notes due 2024 in the amount of \$700 million. The proceeds from the issue of the notes were used to finance the purchase of 6.50% notes due 2020 at the tender offer in April 2019 and make whole call in May 2019.

In April and May 2019, the Group fully settled its 6.50% notes due 2020 (\$700 million). The premium over the carrying value on the repurchase amounting to \$(6) million was included in the Gain/(loss) on financial assets and liabilities caption of the separate statement of comprehensive income.

In November 2020, EVRAZ plc early repaid \$15million under 8.25% notes due 2021.

At 31 December 2020, the current portion of the borrowings included a principal payable under 8.25% notes due 2021 and interest payable under all issued notes. At 31 December 2019, the current portion of the borrowings included only interest payable under the notes.

8. TRADE AND OTHER PAYABLES

Trade and other accounts payable included the following at 31 December:

US\$ million	2020		2019	
	Non-current	Current	Non-current	Current
Liability relating to a settlement of guarantee	\$ 4	\$ 4	\$ 7	\$ 7
	\$ 4	\$ 4	\$ 7	\$ 7

At 31 December 2020 and 2019, trade and other accounts payable included liabilities relating to the settlement of the Company's guarantee under a long-term take-or-pay supply contract of a former indirect subsidiary of the Company. In 2020, the Company paid \$7 million (2019: \$7 million) in respect of this liability and recognised interest expense of \$1 million (2019: \$1 million).

9. INCOME TAXES

A reconciliation of income tax expense applicable to profit before income tax using the statutory tax rate to income tax expense as reported in the Company's financial statements for the years ended 31 December is as follows:

US\$ million	2020	2019
Profit/(loss) before income tax	\$ 1,766	\$ 9,029
At the statutory income tax rate of 19%	(336)	(1,716)
Adjustment in respect of income tax of previous years	–	(2)
Non-deductible expenses	(56)	(94)
Effect of lower tax rate for dividend income	192	1,696
Allowance for deferred tax asset	(13)	(23)
Current income tax expense	\$ (213)	\$ (139)

The movement in the net balance of current income tax receivable/(payable) was as follows:

US\$ million	2020	2019
1 January	\$ (46)	\$ (14)
Current income tax on dividend income	(213)	(153)
Benefit from a tax loss carryback	–	16
Adjustment in respect of income tax of previous years	–	(2)
Income tax withheld (Note 6)	197	87
Paid for the period	–	16
Foreign exchange gain/(loss)	8	4
31 December	\$ (54)	\$ (46)

The tax rate on dividends is equal to 10% for income from the Russian subsidiaries and zero rate for dividend income from Luxembourg. At 31 December 2020 the Company had an amount payable of \$70 million (2019: \$62 million) in relation to income tax on dividends receivable from EVRAZ NTMK.

In 2019, the Company recognised current income tax benefit of \$16 million relating to the current year tax losses of \$87 million that can be carried back to recover current tax paid in 2018.

At 31 December 2020, the unused tax losses carried forward amounted to \$188 million (2019: \$121 million). Deferred tax assets in respect of these losses have not been recorded as it is not probable that sufficient taxable profits will be available in the foreseeable future to offset the losses. They are available for offset against future taxable profits indefinitely.

At 31 December 2020, the Company had \$49 million of unutilised foreign tax credits (2019: \$76 million). No deferred tax asset has been recognised on these tax credits as they are unlikely to have value in the future. These tax credits have no fixed expiry date.

10. FINANCIAL INSTRUMENTS

Liquidity Risk

The following tables summarise the maturity profile of the Company’s financial liabilities based on contractual undiscounted payments, including interest payments.

31 December 2020

US\$ million	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	After 5 years	Total
Fixed-rate debt							
Loans and borrowings							
<i>Principal</i>	\$ –	\$ 735	\$ –	\$ 500	\$ 1,450	\$ –	\$ 2,685
<i>Interest</i>	-	48	78	97	94	-	317
Loans payable to related parties							
<i>Principal</i>	-	280	-	-	3,201	-	3,481
<i>Interest</i>	-	4	65	63	60	-	192
Trade and other payables							
<i>Principal</i>	-	2	2	4	-	-	8
Financial guarantees	-	-	9	7	5	-	21
Total fixed-rate debt	-	1,069	154	671	4,810	-	6,704
Non-Interest bearing debt							
Payables to related parties	6	-	-	-	-	-	6
Total non-Interest bearing debt	6	-	-	-	-	-	6
	\$ 6	\$ 1,069	\$ 154	\$ 671	\$ 4,810	\$ –	\$ 6,710

31 December 2019

US\$ million	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	After 5 years	Total
Fixed-rate debt							
Loans and borrowings							
<i>Principal</i>	\$ –	\$ –	\$ –	\$ 750	\$ 1,950	\$ –	\$ 2,700
<i>Interest</i>	-	68	105	142	169	-	484
Loans payable to related parties							
<i>Principal</i>	-	198	218	-	522	-	938
<i>Interest</i>	-	4	28	18	5	-	55
Trade and other payables							
<i>Principal</i>	-	3	3	4	4	-	14
<i>Interest</i>	-	-	1	-	-	-	1
Financial guarantees	-	-	7	7	12	-	26
Total fixed-rate debt	-	273	362	921	2,662	-	4,218
Non-Interest bearing debt							
Payables to related parties	3,151	-	-	-	-	-	3,151
Total non-Interest bearing debt	3,151	-	-	-	-	-	3,151
	\$ 3,151	\$ 273	\$ 362	\$ 921	\$ 2,662	\$ –	\$ 7,369

10. FINANCIAL INSTRUMENTS (CONTINUED)

Market Risk

Currency Risk

The Company’s exposure to currency risk determined as the net monetary position in the respective currencies was as follows at 31 December:

US\$ million	2020	2019
USD/RUB	\$ 6	\$ 613

Sensitivity Analysis

The following table demonstrates the sensitivity to reasonably possible changes in the respective currencies, with all other variables held constant, of the Company’s profit before tax. In estimating reasonably possible changes the Company assessed the volatility of foreign exchange rates during the reporting periods.

	2020		2019	
	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT
	%	US\$ millions	%	US\$ millions
USD/RUB	(16.88) 16.88	1 (1)	(7.78) 7.78	52 (44)

Fair Value of Financial Instruments

The carrying amounts of financial instruments, such as cash, accounts receivable and payable, loans payable to related parties, approximate their fair value. The fair value of the notes is disclosed in Note 28 of the consolidated financial statements.

11. SUBSEQUENT EVENTS

Material events after the reporting year are disclosed in Note 33 of the consolidated financial statements.



ADDITIONAL INFORMATION

STOCK PERFORMANCE INDICATORS AND SHAREHOLDER INFORMATION

INFORMATION ABOUT SHARES OF EVRAZ PLC

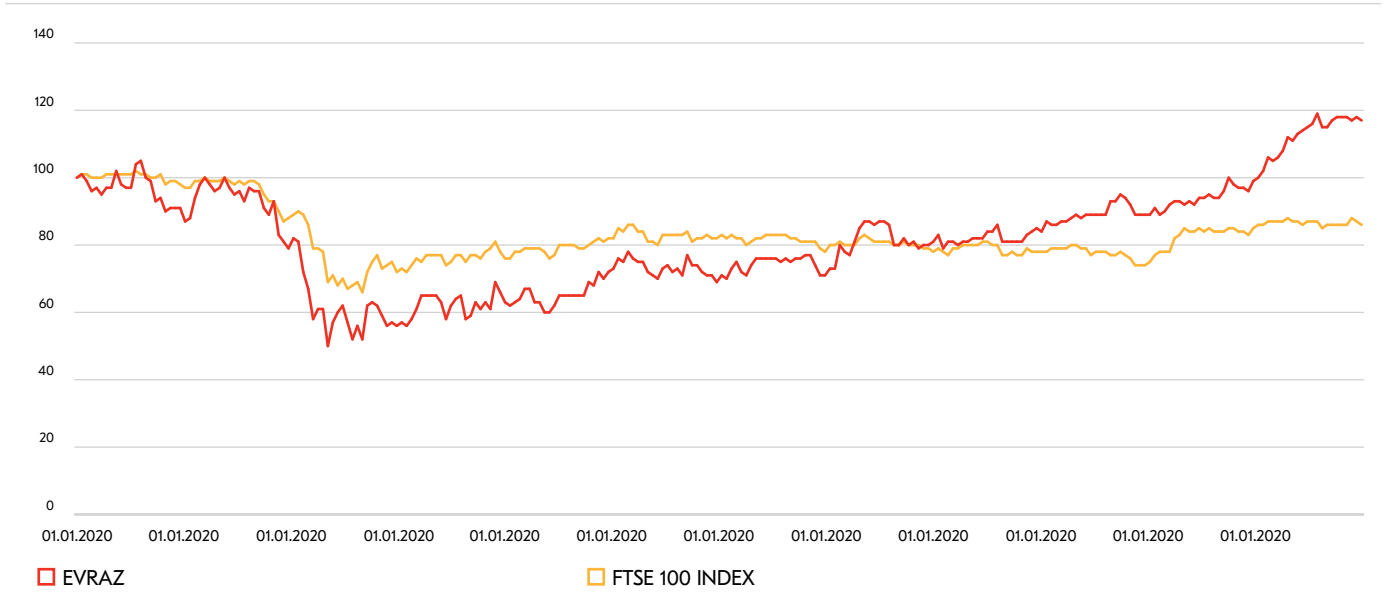
The Company's issued share capital as of 31 December 2020 and 24 February 2021 was 1,506,527,294 ordinary shares, of which 49,654,691 shares are held in Treasury. Therefore, the total number of voting rights in the Company is 1,456,872,603.

The shares of EVRAZ plc trades on the Main market of London Stock Exchange

Ticker (Bloomberg)	EVR LN
Trading service	SETS
Market	MAIN MARKET
Listing category	Premium Equity Commercial Companies
FTSE index	FTSE 100
FTSE sector	Industrial Metals & Mining
FTSE sub-sector	Iron & Steel
Country of share register	GB
Segment	STMM
MiFID Status	Regulated Market
SEDOL	B71N6K8
ISIN number	GB00B71N6K86

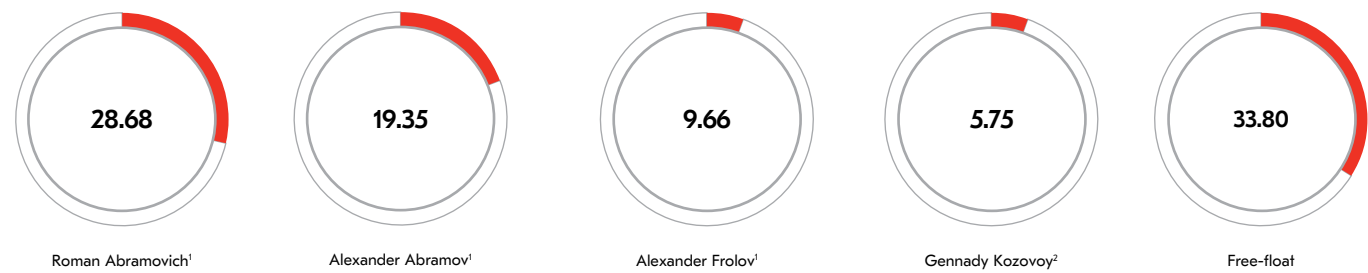
Share price

Relative share price dynamics, 52w



Shareholder structure

Ultimate beneficial owners, % of voting rights¹



¹. The number of shares as dealing notification dated 20 June 2019.
². The number of shares is as per TR-1 Form: Notification of major interest in shares dated 6 February 2013. For Mr Kozovoy, includes shares held directly.

Unsolicited telephone calls and correspondence

Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about the Company. These are typically from overseas-based 'brokers' who target US or UK shareholders, offering to sell them what often turns out to be worthless or high risk shares.

These operations are commonly known as 'boiler rooms' and the 'brokers' can be very persistent and extremely persuasive.

If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation.

- Check that they are properly authorised by the FSA before getting involved by visiting www.fsa.gov.uk/fsaregister and contacting the firm using the details on the register.
- Report the matter to the FCA either by calling 0845,606 1234 or visiting www.fsa.gov.uk/scams.
- If the calls persist, hang up.

Details of any share dealing facilities that the company endorses will be included in Company mailings.

Electronic shareholder communications

EVRAZ uses its website www.evraz.com as its primary means of communication with its shareholders provided that the shareholder

has agreed or is deemed to have agreed that communications may be sent or supplied in that manner in accordance with the Companies Act 2006. Electronic communications allow shareholders to access information instantly as well as helping EVRAZ reduce its costs and its impact on the environment. Shareholders can sign up for electronic communications via Computershare's Investor Centre website at www.investorcentre.co.uk. Shareholders that have consented or are deemed to have consented to electronic communications can revoke their consent at any time by contacting the Company's registrar, Computershare.

DEFINITIONS OF SELECTED ALTERNATIVE PERFORMANCE MEASURES

The Group uses alternative performance measures (APMs) to improve comparability of information between reporting periods and business units, either by adjusting for uncontrollable or one-off factors which impact upon IFRS measures or, by aggregating measures, to aid the user of this report in understanding the activity taking place across the Group's portfolio.

EBITDA

EBITDA is determined as a segment's profit/(loss) from operations adjusted for social and social infrastructure maintenance expenses, impairment of assets, profit/(loss) on disposal of property, plant and equipment and intangible assets, foreign exchange gains/(losses) and depreciation, depletion and amortisation expense.

See note 3 of the consolidated financial statement for additional information and reconciliation with IFRS financial statements.

Free Cash Flow

Free Cash Flow represents EBITDA, net of noncash items, less changes in working capital, income tax paid, interest paid and covenant reset charges, conversion premiums, premiums on early repurchase of bonds and realised gain/(losses) on interest payments under swap contracts, interest income and debt issue costs, less capital expenditure, including recorded in financing activities, purchases of subsidiaries, net of cash acquired, proceeds from sale of disposals classified as held for sale, net of transaction costs, less purchases of treasury shares for participants of the incentive plans, plus other cash flows from investing activities.

Free Cash Flow is not a measure under IFRS and should not be considered as an alternative to other measures of financial position. EVRAZ' calculation of Free Cash Flow may be different

from the calculation used by other companies and therefore comparability may be limited.

Cash and short-term bank deposits

Cash and short-term bank deposits is not a measure under IFRS and should not be considered as an alternative to other measures of financial position. EVRAZ' calculation of cash and short-term bank deposits may be different from the calculation used by other companies and therefore comparability may be limited.

Cash and short-term bank deposits calculation

US\$ million	31 December 2020	31 December 2019	Change	Change, %
Cash and cash equivalents	1,627	1,423	204	14.3
Cash and short-term bank deposits	1,627	1,423	204	14.3

Total debt

Total debt represents the nominal value of loans and borrowings plus unpaid interest, finance lease liabilities, loans of assets classified as held for sale, and the nominal effect of cross-currency swaps on principal of rouble-denominated notes. Total debt is not a measure under IFRS and should not be considered as an alternative to other measures of financial position. EVRAZ’ calculation of total debt may be different from the calculation used by other companies and therefore comparability may be limited. The current calculation is different from that used for covenant compliance calculations.

Total debt has been calculated as follows:

US\$ million	31 December 2020	31 December 2019	Change	Change, %
Long-term loans, net of current portion	3,759	4,599	(840)	(18.3)
Short-term loans and current portion of long-term loans	1,078	140	938	n/a
Add back: Unamortised debt issue costs and fair value adjustment to liabilities assumed in business combination	16	18	(2)	(11.1)
Nominal effect of cross-currency swaps on principal of rouble-denominated notes	43	(6)	49	n/a
Finance lease liabilities, non-current portion	57	83	(26)	(31.3)
Finance lease liabilities, current portion	30	34	(4)	(11.8)
Total debt	4,983	4,868	115	2.4

Net debt

Net debt represents total debt less cash and liquid short-term financial assets, including those related to disposals classified as held for sale. Net debt is not a measure under IFRS and should not be considered as an alternative to other measures of financial position. EVRAZ’ calculation of net debt may be different from the calculation used by other companies and therefore comparability may be limited. The current calculation is different from that used for covenant compliance calculations.

Net debt has been calculated as follows:

US\$ million	31 December 2020	31 December 2019	Change	Change, %
Total debt	4,983	4,868	115	2.4
Cash and cash equivalents	(1,627)	(1,423)	(204)	14.3
Net debt	3,356	3,445	(89)	(2.6)

CAPEX

Capital expenditure (CAPEX) is cash expenditure on property, plant and equipment. For internal reporting and analysis, CAPEX includes non-cash transactions related to CAPEX.

CAPEX has been calculated as follows:

US\$ million	31 December 2020	31 December 2019	Change	Change, %
Purchases of property, plant and equipment and intangible assets	647	762	(115)	15.1
Purchases of purchase of property, plant and equipment on deferred terms	10	-	10	n/a
CAPEX	657	762	(105)	(13.8)

GHG intensity ratio

Tonnes of CO2 equivalent (Scope 1 and 2 GHG emissions) divided by tonnes of crude steel. Only steelmaking enterprises are included into the calculation, which are located in Russia and North America.

Labor productivity, US\$/t

P=S/V

S – Labor Costs (asset and A-category subsidiaries), exclusive of tax, local currency (on Division consolidation sites with different currencies, \$)

V – production volume, tn. (for steel assets: V – metal products shipped)

LTIFR

The KPI is calculated on a year-to-date basis for the company employees only.

LTIFR = X*1000000/Y

X is the total number of occupational injuries resulted in lost time among the company employees in the reporting period. Fatalities are not included.

Y is the actual total number of man-hours worked by all company employees in the reporting period.

Slab cash costs, US\$/t

Cash cost of slab is defined as the production cost less depreciation, the result is divided by production volumes of slab. Raw materials from EVRAZ coal and iron ore producers are accounted for on at-cost-basis. Costs of slab of EVRAZ NTMK, EVRAZ ZSMK are then weighted averaged by the total saleable slab production volume.

Coking coal concentrate cash cost, US\$/t

Cash cost of coking coal concentrate is defined as cost of revenues less depreciation and SG&A, the result is divided by sales volumes.

Iron ore products cash cost, US\$/t

Cash cost of iron ore products is defined as cost of revenues less depreciation and SG&A, the result is divided by sales volumes.

Number of EBS transformations

Number of EBS transformations implemented at the key assets during the reporting year.

Effect from efficiency improvement programme (customer focus and cost cutting effects)

Each project effect is calculated as an absolute deviation of targeted metric year to year multiplied by relevant price or volume depending on project’s focus.

DATA ON MINERAL RESERVES

COAL

Raspadskaya (Novokuznetsk site) JORC equivalent coal proved and probable reserves, kt

Mine	As of 31 December 2020
Alardinskaya	79,813
Yesaulskaya	21,443
Erunakovskaya-8	110,672
Osinnikovskaya	71,144
Uskovskaya	182,015
Total	465,088

Raspadskaya (Mezhdurechensk site) JORC equivalent coal proved and probable reserves, kt

Mine	As of 31 December 2020
Raspadskaya	905,913
Raspadskaya Koksovaya	203,786
MUK-96	113,058
Razrez Raspadskiy (open-pit)	100,428
Koksovaya GRR (open-pit)	22,930
Total	1,346,115

Raspadskaya (Mezhegeyugol site) JORC equivalent coal proved and probable reserves, kt

Mine	As of 31 December 2020
Mezhegeyugol	85,739

IRON ORE

EVRAZ ZSMK mining operations JORC equivalent coal proved and probable reserves, kt

Mine	As of 31 December 2020	Fe, %	S, %
Kaz	2,403		
Tashtagol	59,564		
Sheregesh	80,001		
Total	141,968	31.90	1.39

Kachkanarsky GOK (EVRAZ KGOK) JORC equivalent coal proved and probable reserves, kt

Mine	As of 31 December 2020	Fe, %	V2O5 %
Gusevogorskoe	2,990,494		
Kachkanar Proper (Sobstvenno-Kachkanarskoye)	6,743,199		
Total	9,733,693	15.9	0.13

SHORT SUMMARY OF RELEVANT ANTI-CORRUPTION POLICIES

Code of Conduct

The Code of Conduct is the key document that all employees must adhere to and act in full accordance with. Every new employee is instructed to read the Code of Conduct carefully on his or her first day of work. The document is available on the corporate intranet and stresses the ultimate importance of ethical behaviour in all circumstances. Anti-corruption training and the tone set from the top of the organisation emphasise the role of the Code of Conduct in the Group's daily life.

Anti-corruption policy

The EVRAZ Anti-corruption Policy establishes and explains key principles that all assets have adopted to prevent corruption. The policy is easily accessible on the corporate intranet for employees, interested parties and partners, who are all expected to be compliant with relevant anti-corruption legislation and the principles upheld by the Group. Every new employee reads the policy on his or her first day of work.

Anti-corruption training policy

Consistent anti-corruption education efforts are an integral element of a well-thought-out compliance system. The policy adopted in December 2015 defines what positions and levels of authority are to undergo training in anti-corruption awareness. Specifically, all managers and specialists from compliance, legal, controlling, asset protection, investor and government relations, and HR are to receive training and pass a corresponding test. The same refers to all decision makers and/or client managers from procurement and sales. Compliance managers are assigned discreet authority to analyse risk areas and decide who else needs to be trained.

Sponsorship and charity policy

This policy regulates all aspects of sponsorship and charity efforts at EVRAZ, as necessary. According to it, the Group may consider supporting low-income or physically challenged individuals, and those suffering

from conflicts or natural disasters. EVRAZ may choose to support certain projects in education, sport, healthcare, culture and environmental protection.

All petitions are carefully considered in terms of legitimacy and transparency of purpose, the amount sought and the reputation of the petitioner. The decisions are then taken by the Group CEO. When support is granted, sponsorship being its preferred form, such instances are followed up by experts under the vice president for corporate communications and by compliance managers. This ensures full accountability and strict adherence of those supported to EVRAZ policy requirements.

Gift and business entertainment policy

EVRAZ believes that business gifts and hospitality are accepted ways to demonstrate and further develop good relationships. At the same time, adequate and consistent control over such expenses is highly important and is one of the key areas for anti-corruption compliance to watch. The policy defines rules and strict approval procedures to be followed when extending or receiving gifts and hospitality. In particular, all amounts above US\$100 for a personal gift (received or given) and US\$500 for hospitality (received or extended to a person) must be approved by the responsible compliance manager. Corresponding amounts in the US and Canada are US\$50 and US\$250, respectively. To this end, an electronic notification system has been developed.

The internal audit function conducts regular checks of the completeness and accuracy of records, either planned or requested by a compliance manager, and compliance specialists act on any recommendations promptly.

Hotline policy and whistle-blowing procedures

EVRAZ encourages employees to raise concerns to their line managers if they believe the Group's policies or cardinal principles are somehow violated. If employees, clients,

or contractors feel unable to do so via other means and procedures, a confidential hotline is available 24/7.

Candidate background and criminal record checks

EVRAZ consistently performs thorough background and criminal record checks on all potential employees. Among other requirements and norms, the policy specifies that all necessary effort is invested only after the candidate gives written permission to work with his/her personal data. The Group is committed to protecting each individual's privacy and works in full compliance with relevant laws on personal data.

Conflict of interest policy

A conflict of interest is a set of circumstances in which employees have financial or other personal considerations that may compromise or influence their professional judgment or integrity in carrying out their work responsibilities. The policy specifies how to identify, consider and duly take care of situations with signs of such conflicts.

HR together with compliance managers routinely check whether there are conflicts of interests in the Group, whereas employees and particularly their managers are expected to provide information about any potentially risky situations. Special commissions consider cases that are reported and found to come up with the best possible solution to each individual situation.

Contractor/supplier due diligence checks

To guard against unscrupulous, unreliable, or suspicious would-be agents and partners, EVRAZ runs comprehensive due diligence checks on a business or person prior to signing a contract. The Group strictly enforces a know-your-partner/client policy and in doing so is fully compliant with the applicable anti-corruption laws. The investigation includes but is not limited to checking the company's business reputation and solvency, as well as its top management's profile and reputation.

TERMS AND ABBREVIATIONS

B

Basic oxygen furnace

Basic oxygen furnace is a frunace used in a method of primary steelmaking in which carbon-rich molten pig iron is made into steel. Blowing oxygen through molten pig iron lowers the carbon content of the alloy and changes it into low-carbon steel. The process is known as basic because fluxes of burnt lime or dolomite, which are chemical bases, are added to promote the removal of impurities and protect the lining of the converter.

Beam

A structural element. Beams are characterised by their profile (the shape of their cross-section). One of the most common types of steel beam is the I-beam, also known as H-beam, or W-beam (wide-flange beam), or a ‘universal beam/column’. Beams are widely used in the construction industry and are available in various standard sizes, eg 40-k beam, 60Sh beam, 70Sh beam as mentioned in this report.

Billet

A usually square, semi-finished steel product obtained by continuous casting or rolling of blooms. Sections, rails, wire rod and other rolled products are made from billets.

Blast furnace

The blast furnace is the classic production unit to reduce iron ore to molten iron, known as hot metal. It operates as a counter-current shaft system, where iron ore and coke is charged at the top. While this charge descends towards the bottom, ascending carbon containing gases and coke reduces the iron ore to liquid iron. To increase efficiency and productivity, hot air (often enriched with oxygen) is blown into the bottom of the blast furnace. In order to save coke, coal or other carbon containing materials are sometimes injected with this hot air.

By-product

A secondary product which results from a manufacturing process or chemical reaction.

C

Cash cost of coking coal concentrate

Cash cost of coking coal concentrate is defined as the production cost less depreciation, incl. SG&A and Maintenance CAPEX, the result is divided by production volumes. This measure is used to monitor segment competitiveness improvement.

CAPEX

Capital expenditure.

CFR

Cost and freight, the seller must pay the costs and freight to bring the goods to the port of destination. However, risk is transferred to the buyer once the goods are loaded on the vessel. Insurance for the goods is not included.

Channel

U-shaped section for construction.

Coal washing

The process of removing mineral matter from coal usually through density separation, for coarser coal and using surface chemistry for finer particles.

Coke

A product made by baking coal without oxygen at high temperatures. Unwanted gases are driven out of the coal. The unwanted gases can be used as fuels or processed further to recover valuable chemicals. The resulting material (coke) has a strong porous structure which makes it ideal for use in a blast furnace.

Coke battery

A group of coke ovens operating as a unit and connected by common walls.

Coking coal

Highly volatile coal used to manufacture coke.

Concentrate

A product resulting from iron ore / coal enrichment, with a high grade of extracted mineral.

Construction products

Include beams, channels, angles, rebars, wire rods, wire and other goods.

Converter

A type of furnace that uses pure oxygen in the process of producing steel from cast iron or dry mix.

Conversion costs

Conversion costs is defined as production costs without raw materials and depreciation, incl. SG&A and Maintenance CAPEX. This measure is used to monitor segment competitiveness improvement.

Continuous casting machine

Process whereby molten metal is solidified into a “semi-finished” billet, bloom, or slab for subsequent rolling in the finishing mills.

Crude steel

Steel in its solidified state directly after casting. This is then further processed by rolling or other treatments, which can change its properties.

D

Debottlenecking

Increasing capacity of a supply or production chain through the modification of existing equipment or infrastructure to improve efficiency.

Deposit

An area of coal resources or reserves identified by surface mapping, drilling or development.

E

Electric arc furnace

A furnace used in the steelmaking process which heats charged material via an electric arc.

F

Feasibility study

A comprehensive engineering estimate of all costs, revenues, equipment requirements and production levels likely to be achieved if a mine is developed. The study is used to define the technical and economic viability of a project and to support the search for project financing.

Finished products

Products that have completed the manufacturing process but have not yet been sold or distributed to the end user.

Flat products or Flat-rolled steel products

Include commodity plate, specialty plate and other products in flat shape such as sheet, strip and tin plate.

G

Greenfield

The development or exploration of a new project not previously examined.

Grinding balls

Balls used to grind material by impact and pressure.

H

Head-hardened rails

High strength rails with head hardened by heat treatment.

Heat-treatment

A group of industrial and metalworking processes used to alter the physical, and sometimes chemical, properties of a material.

HiPo

High potential employee.

I

Iron ore

Chemical compounds of iron with other elements, mainly oxygen, silicon, Sulphur or carbon. Only extremely pure (rich) iron-oxygen compounds are used for steelmaking.

ISO 14001

The International Standardisation Organisation’s standard for environmental management systems.

ISO 9001:2008

The International Standardisation Organisation’s standard for a quality management system.

J

JORC Code

The Australasian Joint Ore Reserves Committee, which is widely accepted as a standard for professional reporting of Mineral Resources and Ore Reserves.

K

Kt

Thousand tonnes.

L

Labour productivity

Labour productivity is defined as labour costs exclusive of tax divided by production volumes of steel products. The measurement of performance enables the Company to monitor labour efficiency.

Ladle furnace

The secondary metallurgy vessel used between steelmaking and casting operations to allow the composition of molten steel to be brought to the required customer specification.

Lean

Lean is philosophy of managing the business that is based on a set of principles that define the way of work.

Long products

Include bars, rods and structural products that are ‘long’ rather than ‘flat’ and are produced from blooms or billets.

Longwall

An underground mining process in which the coal face is dug out by a shearer and transported above ground by conveyors.

LTIFR

Lost time injury frequency rate, which represents the number of lost time injuries (1 day or more of absence) divided by the total number of hours worked expressed in millions of hours.

Lumpy ore

Iron ore between 6mm and 30mm in size. Lump is preferred in the blast furnace as its particle size allows oxygen to circulate around the raw materials and melt them efficiently.

M

Model line

Model line is as a value stream within a single facility or operation, provides a focused and controlled playground for implementing lean. Serve as internal benchmark for the Company. The measurement of performance enables the Company to monitor lean implementation.

Mt

Million tonnes.

Mtpa

Million tonnes per annum.

O

Open pit mine

A mine working or excavation open to the surface where material is not replaced into the mined out areas.

OCTG pipe

Oilfield Casing and Tubing Goods or Oil Country Tubular Goods — pipes used in the oil industry.

P

Pellet

An enriched form of iron ore shaped into small balls or pellets. Pellets are used as raw material in the steel making process.

Pig iron

The solidified iron produced from a blast furnace used for steel production. In liquid form, pig iron is known as hot metal.

Pipe blank

A flat sheet of metal, a semi-finished product, sold to pipemakers to manufacture pipes.

Plate

A long thin square shaped construction element made from slabs.

Pulverised coal injection (PCI)

A cost-reducing technique in iron-making, where cheaper coal is prepared to replace normal coking coal in the blast furnace. The coal is pulverised into very small particles before injection into the furnace.

R

Railway products

Include rails, rail fasteners, wheels, tyres and other goods for the railway sector.

Rebar

Reinforcing bar, a commodity grade steel used to strengthen concrete in highway and building construction. Rebar A500SP is a type of reinforcing bar that allows for a reduction in the metallic component of reinforced concrete, thereby significantly lowering construction costs.

Rolled steel products

Products finished in a rolling mill; these include bars, rods, plate, beams etc.

Rolling mill

A machine which converts semi-finished steel into finished steel products by passing them through sets of rotating cylinders which form the steel into finished products.

S

SG&A

Selling, General and Administrative Expenses.

Saleable products

Products produced by EVRAZ mines or steel mills which are suitable for sale to third parties.

Self-coverage

The raw material requirement of EVRAZ steelmaking facilities compared with coal product sales or production of iron ore products from own raw materials.

Scrap

Iron containing recyclable materials (mainly industrial or household waste) that is generally remelted and processed into new steel.

Semi-finished products

The initial product forms in the steel making process including slabs, blooms, billets and pipe blanks that are further processed into more finished products such as beams, bars, sheets, tubing etc.

Sinter

An iron rich clinker formed by heating iron ore fines and coke in a sinter line. The materials, in pellet form, combine efficiently in the blast furnace and allow for more consistent and controllable iron manufacture.

Slab

A common type of semi-finished steel product which can be further rolled into sheet and plate products.

Slag

Slag is a by product generated when nonferrous substances in iron ore, limestone and coke are separated from the hot metal in metallurgical production. Slag is used in cement and fertiliser production as well as for base course material in road construction.

Steam coal

All other types of hard coal not classified as coking coal. Coal of this type is also commonly referred to as thermal coal.

T

Tailings

Also called mine dumps, are the materials left over after the process of separating the valuable content from the uneconomic remainder (gangue) of an ore. These materials can be reprocessed using new methods to recover additional minerals.

Tubular products

Include large diameter line pipes, ERW pipes and casings, seamless pipes and other tubular products.

U

Unrealised profit (URP)

Inter-segment unrealised profit or loss (URP) is a change in the sales margin included in balances of inventories purchased from segments other than the reportable segment between the end and the beginning of the reporting period.

V

Vanadium

A grey metal that is normally used as an alloying agent for iron and steel. It is also used to strengthen titanium based alloys.

Vanadium pentoxide

The chemical compound with the formula V2O5: this orange solid is the most important compound of vanadium. Upon heating, it reversibly loses oxygen.

Vanadium slag

Vanadium slag produced from pig iron in the converter shop and used as a raw material by producers of ferroalloys and vanadium products.

CONTACT DETAILS

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